FINANCIAL TIMES

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Chile: caution grows among foreign investors, Page 8

World news

US acts to penalise Norway on whaling

Malcolm Baldrige, US Commerce Secretary, acted to penalise Norway for continuing to catch whales in the North Atlantic in defiance of an international moratorium on commercial whaling.

In a move that might lead to a total ban on Norwegian fish imports – worth $145m last year and mainly consisting of salmon, shrimp and sardines – to the American market, he said Norway's continued harvesting of whales in the region had undermined efforts by the International Whaling Commission (IWC) to protect them.

The IWC agreed in 1982 to ban commercial whaling in order to safeguard endangered whale species. Page 20

Gorbachev proposal

Soviet leader Mikhail Gorbachev, saying the world had been warned by events at Chernobyl, proposed new measures to deal with nuclear accidents and promote the peaceful use of atomic energy. Page 3

Mitterrand visit

French President François Mitterrand will visit Moscow for talks with Soviet leader Mikhail Gorbachev from July 7 to 10, immediately after meeting President Reagan in New York.

Berlin controls

East Germany has backed down after two weeks of tension and agreed to drop new passport checks for diplomats at the East-West Berlin border, Western diplomats said.

Beirut peace efforts

Syria and Iran pursued peace efforts in Beirut and Damascus to stop battles at Beirut's Palestinian camps where fierce overnight shelling killed five people and wounded 20.

Angolan fighting

Angolan right-wing rebels said a big government offensive was meeting stiff resistance, with their guerrillas killing more than 100 soldiers and shooting down two helicopters and a MiG aircraft.

Albanians on trial

A group of 23 ethnic Albanians went on trial accused of plotting to make all Albanian-populated areas of Yugoslavia into a republic.

Basque violence

A civil guardsman was killed in Mondragon, Spain, and a car bomb narrowly missed three Civil Guard cars patrolling through the industrial Basque town of Hernani in violence by suspected Basque guerrillas, police said.

Spanish blockade

French port of Hendaye was blockaded by some 100 Spanish fishing boats protesting at restrictions on their fishing off the French coast.

Boat people rescued

A West German rescue ship picked up 32 Vietnamese refugees including a 17-day-old baby from a leaky fishing boat adrift in the South China Sea, relief agency Cap Anamur said.

Ethiopian aid

Care-Ethiopia, a British-based aid organisation, is to begin a $4.1m soil and water conservation programme next month to improve the productivity of 23,000 peasant farmers in eastern Ethiopia.

Locusts in Beirut

Locusts have appeared in three small villages in the Fetouh coastal area north of Beirut, Health Ministry sources said.

Dunkirk strike

Shipyard workers in the northern French port of Dunkirk struck for 24 hours in protest against a possible cut in state shipbuilding subsidies.

Radio contact lost

Greenpeace anti-whaling ship Moby Dick lost radio contact with its Hamburg base while battling heavy seas off the northern coast of Norway.

Business summary

Wall St down 42.79 at 3pm

WALL STREET stocks fell heavily as discounts on stock index futures prompted selling among blue chips. Bonds also slid after early relative stability. At 3pm the Dow Jones industrial average was 42.79 down at 1,843.11. Page 44

MILAN bourse tumbled 9.2 per cent, making a 35 per cent fall in two weeks, amid thin trading and nervousness about the market's direction. The Banca Commerciale Italiana index was 68.5 down at 674.8. Page 26; Markets, Page 44

LONDON: Interest-rate hopes stimulated widespread demand for gilts. The FT Ordinary index closed down 7.4 at 1,329.5. Page 44

TOKYO: Nikkei stock average gained 109.33 to 17,008.34, breaking the 17,000 barrier for the first time Page 44

DOLLAR rose in London to DM 2.2355 (DM 2.2285); FFr 7.12 (FFr 7.095); SFr 1.844 (SFr 1.839) and Y167.85 (Y167.65). On Bank of England figures, the dollar's index rose to 116.0 from 115.6. Page 37

STERLING lost 70 points in London to close at $1.498. It also fell to DM 3.35 (DM 3.355); FFr 10.665 (FFr 10.6775); SFr 2.7625 (SFr 2.7675) and Y251.5 (Y252.25). The pound's exchange-rate index fell 0.2 to 75.4. Page 37

GOLD rose $0.25 to close at $342.00. It also rose in Zurich to $342.00 ($341.70). Page 36

ISRAEL eliminated its domestic public-sector deficit in the financial year to April and may even have been in surplus for the first time for 12 years, a top Finance Ministry official said. Page 7

ISRAEL will press ahead with a multi-billion-dollar project to build its own fighter aircraft, the Lavi, despite US objections, General Menachem Eini, the Israeli defence official heading the project, said. Page 8

POLISH officials will meet leading Western creditor banks in Vienna tomorrow in a further effort to agree rescheduling terms for up to $800m of debt payments falling due this year. Page 3

CHINA'S foreign investment growth slowed for the first time since 1983. Page 8

FRENCH Prime Minister Jacques Chirac said a new formula for privatising the state-run RTF 1 television channel ensured that no single group would have a controlling interest.

PHB WESERHÜTTE, West German group that is one of the world's leading manufacturers of bulk-materials handling equipment, may slip into deficit because of worsening markets. Page 21

WAH KWONG shipping group, Hong Kong's ailing third largest shipper, won a further 90-day breathing space to draw up a survival plan from Citibank, a leading creditor. Page 23

MITSUBISHI ELECTRIC saw its group net profits decline by 35 per cent in the year to March 31 1986, reflecting the decline in the world semiconductor market and the upsurge in the yen. Page 23

PIRELLI, Italian tyres and cables group, is to equip and start up a $150m plant in India at which Soram Industries will make its tyres under licence. Page 20

AZP GROUP, Arizona electricity utility, agreed to acquire MeraBank, Arizona-based savings bank, for $51 a share, or a total of $440m. Page 21

TANDY, US consumer electronics retailing and manufacturing group, which owns the international Radio Shack chain, is to split domestic interests and overseas activities into two publicly quoted companies. Page 21

BUSINESSLAND, US computer store chain, has announced plans to sell its own brand of "clone" computers – machines compatible with IBM personal computers but sold for lower prices. Page 21

SOCIALIST SHAKE-UP IN WAKE OF WALDHEIM VICTORY

Vranitzky replaces Sinowatz as Austrian premier

BY PATRICK BLUM IN VIENNA

MR KURT WALDHEIM'S victory in Sunday's Austrian presidential election claimed its first victim yesterday with the resignation of Chancellor Fred Sinowatz.

He will be replaced by Mr Franz Vranitzky, the Finance Minister, who was nominated at a crisis meeting of the Socialist Party's executive committee.

Mr Vranitzky will take up the job almost immediately, and present a new Government to Mr Rudolf Kirchschläger, the retiring President, oe Monday. Mr Sinowatz remains Socialist leader.

Mr Sinowatz's resignation followed a series of urgent discussions in the wake of the party's disastrous performance in the presidential election.

Mr Kurt Steyrer, the socialist candidate, won only 46.1 per cent of the vote, almost 8 percentage points less than Mr Waldheim, who was supported by the Conservative Peoples Party, with 53.9 per cent. It was the worst showing by a Socialist candidate since the Second World War.

Pressure has been mounting on Mr Sinowatz for months as the party's standing was reaching its lowest levels for years.

Last summer's wine scandal, the spectacular losses at Voest-Alpine, the state-owned steel and engineering group, the crisis in the nationalised industries, and e series of scandals involving corruption among leading public figures has increasingly undermined the Government's credibility.

Mr Sinowatz said yesterday that his resignation was e personal decision, which he had taken before Sunday's election. It is known that he had become increasingly unhappy about his job, but there is no doubt among party members and commentators that Mr Waldheim's crushing victory on Sunday, despite the international row over this wartime past, was the last straw.

"We must have strength to adapt to this new situation," he said, after the five-hour executive committee meeting. It was important for him to concentrate more on rebuilding the party, he said.

He dismissed suggestions of an early general election and predicted that the coalition with the small right-wing Freedom Party would be maintained. The general election is due by April 1987 at the latest.

Other Cabinet changes are expected when Mr Vranitzky presents his government oe Monday.

Mr Leopold Gratz, the Foreign Minister, who strongly opp-ses Mr Waldheim, may resign. Dr Heinz Fischer, the young Minister for Science and Research, is being mentioned as e possible successor.

Mr Günter Haiden, the Agriculture Minister, is also expected to leava his post, after growing criticism of and protests against the Government's agricultural policies.

Mr Hans Mayr, the Socialist deputy mayor of Vienna in charge of the city's finances, is strongly tipped to replace Mr Vranitzky at the Finance Ministry. Mr Mayr is regarded as e pragmatic politician in the mould of Mr Vranitzky, who will want his successor to follow his own plans for reforms and for consolidating the budget. Mr Mayr, like Mr Vranitky, is e former banker,

Continued on Page 20

Details and analysis, Page 2; Editorial comment, Page 18

S. African businessmen back reform blueprint

BY PATTI WALDMEIR IN JOHANNESBURG AND MICHAEL HOLMAN IN LONDON

MORE THAN 900 leading South African businessmen have endorsed wide-ranging political and economic reforms aimed at ensuring the survival of capitalism in post-apartheid South Africa.

The blueprint for reform, entitled Project Free Enterprise, was compiled by professors from the University of South Africa after consultations throughout 1985 with 927 executives from 103 of South Africa's largest companies.

The report, published yesterday, supports the abolition of the Group Areas Act – which decrees segregation of housing – and the introduction of freehold property rights for all races. It also advocates black political representation in central government, but stops short of advocating black majority rule.

It is the latest in a series of alarm signals from the country's business community, which fears that capitalism and apartheid are becoming inextricably linked in black minds.

In London yesterday, Mr Zach de Beer, a director of the Anglo American Corporation, welcomed the reform blueprints and added: "We all understand how years of apartheid have caused many blacks to reject the economic as well as the political system. But... we dare not allow the baby of free enterprise to be thrown out with the bathwater of apartheid."

Calling for fair elections under a universal franchise within a federal system, Mr de Beer went on to warn the West of the consequences of economic sanctions against South Africa.

"When and to the extent that these sanctions cause economic recession," he told a meeting of the Royal Commonwealth Society, "it would make South Africa a worse place for people to live in."

The prospect of further economic measures against South Africa has come closer in the wake of the failure of the Commonwealth eminent persons group's effort to start negotiations between blacks and whites in the Republic. The two co-chairmen of the group, Mr Malcolm Fraser, the former Australian Prime Minister, and Gen Olusegun Obasanjo, the retired Nigerian leader, are visiting Paris and Bonn this week to report on their inquiries in South Africa.

Widespread fighting at the Crossroads squatter camp, near Capetown, left five people dead and dozens injured. Several thousand armed vigilantes confronted a smaller group of squatters and refugees from Crossroads' communities destroyed three weeks ago. Police and army reinforcements appeared unwilling or unable to stop the fighting. Page 7

Schroders buys into Wall St

BY DAVID LASCELLES IN LONDON AND WILLIAM HALL IN NEW YORK

SCHRODERS, the UK merchant banking group, is to acquire a 50 per cent stake in Wertheim & Company, a privately-owned US investment bank, in order to enter the Wall Street financial services business.

The deal will entail a $100m investment by Schroders, and it marks the culmination of a two-year plan to redirect its US interests from commercial banking to the securities markets.

Mr George Mallinckrodt, Schroders chairman, said he was delighted with the deal because "the opportunities for UK-based merchant banks to establish a significant presence in the US securities markets are rare." The partnership would enable Schroders to operate internationally from three major bases in London, New York and Tokyo, where it recently received a licence to deal in securities.

Mr Frederick Klingenstein, chairman of Wertheim, said the deal would give his firm access to international markets, and ensure continuity of capital in a business where partners often withdrew their capital when they retired.

Schroders is to obtain its stake by acquiring a half interest in a new company which will own Wertheim. The other half will be owned by Wertheim's 28 partners. Its $100m investment will be in the form of both equity and debt, though the exact proportions were not disclosed yesterday. In addition $65m will be raised through a private placement.

Schroders will obtain the proceeds for the deal from the sale of the majority of its existing US commercial banking business to the Industrial Bank of Japan. That deal, announced last year, is to be accelerated so that Schroders can secure the funds for its new venture.

Completion of the deal is conditional on the Federal Reserve Board deeming that Schroders no longer operates as a commercial bank in the US. This would allow it to enter the securities business.

Mr Klingenstein said the strategy behind the new partnership was "to leverage the unique strengths of each of our firms in our respective markets". Wertheim, which was founded in 1927 and is one of the smaller investment banks on Wall Street, is known as a leading securities underwriter and is particularly strong in the institutional equity business. It employs 600 staff and has offices in Philadelphia, San Francisco, Boston, London, Paris and Geneva.

"We will have a much broader stage on which to play and to provide our services. Schroders brings certain tools, expertise and contacts which we do not have," said Mr Klingenstein. He stressed, though, that the focus, style and management of Wertheim's business would not change. "We will just have more tools with which to ply our trade."

Schroders' investment in Wertheim is part of a major restructuring of the New York investment bank and the partners are expected to withdraw some of their money. The net effect of the reorganisation will be to boost Wertheim's capital by 30 per cent to about $100m, said Mr Klingenstein. He refused to disclose how much money the partners were taking out of the business.

The company had revenues of $180m in 1985 and earned about $57m, of which the partners had taken their share.

Diving for pearls on Wall Street, Page 26

Nasa's decision to launch shuttle 'flawed'

By Nancy Dunne in Washington and Our Foreign Staff

THE presidential commission investigating the Challenger space shuttle disaster said yesterday that the accident stemmed from a series of management flaws in the US space programme. It called for sweeping reforms.

In its final report published yesterday, the commission bluntly declared that the decision to launch the Challenger on January 28 was "flawed."

The senior managers who gave the go-ahead to launch were unaware of the problems concerning the rubbery O-ring seals in the rocket booster joints – which failed during the launch, triggering the explosion that destroyed the Challenger, killing all seven crew on board.

The commission found "failures in communication that resulted in a decision to launch [Challenger] based on incomplete and sometimes misleading information, a conflict between engineering data and management judgments and a Nasa [National Aeronautics and Space Administration] structure that permitted internal flight safety problems to bypass key shuttle managers."

Although the 256-page report was sharply critical of Nasa, it sought to soften the blow with a two-paragraph "concluding thought" describing the agency as a "national resource" that "also provides a symbol of national pride and technological leadership."

Mr James Fletcher, the Nasa administrator, issued a statement saying the commission's conclusions "are not unexpected and certainly not entirely undeserved," adding that the agency would now have to achieve its goals "in a more restrictive atmosphere than we have been accustomed to."

Accepting the report at a White House ceremony, President Ronald Reagan said the tragedy would in the long run lead to a wiser, safer US space exploration programme.

"As we push forward in our conquest of space – and push forward we will – our shuttle programme will be safer and better prepared for the challenges that lie ahead," Mr Reagan said.

The commission, headed by Mr William Rogers, the former US Secretary of State, criticised Nasa management and Morton Thiokol, the manufacturer of the solid rocket boosters. Faced with the faulty design of the joint, they "failed to recognise it as a problem, then failed

Continued on Page 20

Nasa taken to task, Page 6

BIS cautious about further falls in rates

BY PETER MONTAGNON IN BASLE

CENTRAL BANKERS gave a warning at the Bank for International Settlements annual meeting yesterday against expectations of further concerted international action to reduce interest rates.

"A worldwide round of cuts would not seem to be likely or probably even desirable," Mr Alexandre Lamfalussy, BIS general manager, told a press conference.

He was speaking as the bank released its annual report, which takes a distinctly more cautious tone on the world economy than recent analyses from other institutions, such as the IMF and the OECD.

The report lists achievements over the past year, including the maintenance of growth, adjustment of leading exchange rates and reduction in inflation. But it warns that underlying inflationary pressures may still be greater than many believe in the wake of the sharp fall in oil prices.

Against that background, it calls on central banks to resist pressures to ease their monetary policies to reduce unemployment by boosting growth.

Mr Lamfalussy said there were two main concerns. The first was that the performance of financial markets as a whole "currently reflects a reasonable abundance of liquidity." The second was that, given the inflexibility of fiscal policy, there was a danger of too much reliance being placed on monetary policy to secure macro-economic ends.

A deliberate concerted action to push interest rates down might be counterproductive, he said.

"We must not forget what happened in certain earlier periods. You cannot correct an inflationary development easily with monetary policy."

Growing globalisation of financial markets meant that sharp upward swings in interest rates would be needed if monetary policy were to be effective. That would eventually imply "unpleasant interest-rate shocks" if central banks responded to the present decline in inflation by lowering interest rates prematurely, he said.

Mr Lamfalussy did not discount a further gradual reduction in interest rates if the decline in inflation continued, but real interest rates were still high and that suggested that inflationary expectations were still present. It was a delusion to think that central banks could act against financial markets.

Details, Page 4

Crude oil prices slip towards $10 level

BY LUCY KELLAWAY IN LONDON

OIL PRICES edged back towards $10 a barrel yesterday, with Saudi netback crude changing hands at about $10.50, against $13.50 ten days ago. Spot oil prices also fell slightly, to about $11.60 for Brent crude, $4 below the level reached in mid-May.

Oil prices are retreating from artificially high levels of last month when refiners and retailers replenished abnormally low stocks. The Chernobyl nuclear disaster and the US bombing of Libya also lent some temporary strength to the market.

Sentiment in the market has been unaffected by recent reports of a rise in energy demand. The International Energy Agency forecast yesterday that demand would be higher than expected as a result of lower prices.

About 40 per cent of internationally traded crude oil is dealt at netback prices. These are tied to the product prices at the time the crude is delivered and guarantee a margin for the refiner. The fall in the netback price below the spot levels is the result of the recent sharp fall in product prices and a rise in freight rates.

The market is particularly uncertain about the immediate outlook for oil prices. Refiners are postponing purchases until after the Opec meeting later this month, although there is little hope that any firm decisions will be taken then.

One dealer said: "There is every possibility that oil prices could fall below $10, but equally they may bounce back – no one seems to have any idea at the moment."

CONTENTS

Ministers agree on recognition of EEC telecoms standards

BY PAUL CHEESERIGHT IN LUXEMBOURG

FRESH STEPS to pull together the fragmented European Community's telecommunications market were taken yesterday by Industry ministers when they agreed on the mutual recognitioo of type approvals for telecommunications terminal equipment.

The measure, although limited in the equipment it covers, is designed to help break the normal practice of national telecommunications authorities only buying terminal equipment from national companies.

In the absence of a single common standard, the Community has sought in this and other areas to circumvent what can be years of negotiation by adopting the habit of mutual recognition of each other's standards.

This is seen as a quick way of opening up national markets and as such is significant in the moves towards breaking down all barriers to internal trade by the target year of 1992.

The mutual recognition agreement builds on a 1983 directive which provides for each country to let other Community members, the Commission and standard organisations know if they propose o new standard or an amendment to an old one.

However, movement to the new agreement was dogged by how far it should go. The Germans wanted the authority to work on the basis of old standards for replacement terminals and for any new purchases of equipment for attachment to them, without limit on the quantity.

This approach was opposed, not least by the UK, which had in any case doubted whether legally binding directives were necessary to ensure harmonisation of standards in this specific sector.

The end result was a compromise which met the German view to the extent that replacement equipmeot could come in on the old standards basis but did not go as far as permitting such freedom for the attachments.

One of the first steps which will now have to be taken is the designation of testing laboratories in each country whose work will be recognised – in the setting of type approvals for terminal equipment – in other countries.

US will maintain 'friendly' relations

By Reginald Dale in Washington

PRESIDENT Ronald Reagan is to send the usual diplomatic letter *congratualting Dr Kurt Wald*heim on his election, and the US will continue its "close friendly relations" with Austria, the White House announced yesterday. The people of Austria had made their choice in a free and democratic election, said Mr Larry Speakes, the White House spokesman.

Mr Speakes said that, as a head of state, Dr Waldheim could not be barred from visiting the US, as some members of Congress have demanded, because he would enjoy diplomatic immunity.

American Jewish groups reacted bitterly to Dr Waldheim's victory, which one of them described as "deeply disturbing." Mr Theodore Ellenoff, President of the American Jewish Committee, said: "That a majority of the Austrian electorate could choose to ignore both Dr Waldheim's wartime involvement in Nazi operations and his subsequent unbridled deceit about this period represents a truly sad day in Austrian history."

Dr Vranitzky: no avowed enemies

FRANZ VRANITZKY, AUSTRIA'S HEAD OF GOVERNMENT

Chancellor who lacks a party base

DR FRANZ VRANITZKY, 48, who is to be Austria's new Chancellor, would appear at first to have been an unlikely candidate for Austria's top government job, Patrick Blum writes from Vienna. Not that he lacks in ability, on the contrary he is well regarded as an able administrator ond he is respected as a hard working and conscientious *Finance Minister.*

Bnt unlike former chancellors, inclnding Dr Bruno Kreisky who was also a formidable party leader, Dr Vranitzky's position in the Socialist Party has always been weak He does not have a "Hausmarkt," a solid base of snpport within the party either in the provinces or in one of the important city constituencies as had Dr Hannes Androscb, a former Finance Minister under Dr Kreisky, who still wields considerable infinence throngh his own constituency in Vienna's working-class district of Florisdorf.

Following yesterday's resignation as Chancellor of Dr Fred Sinowatz Dr Vranitszky has now been given the difficult—some would say impossible—job of refurbishing the Socialist-led coalition Government's image in time for the next general election dne in April 1987 ot the latest.

His job will not be easy following tbe disastrons performance of the Socialist Party's candidate in the presidential election and the fact that the Socialist party's support bas fallen to its lowest level for years. Dissatisfaction with the party's conduct of government which finally erupted with the resignation yesterday of Chancellor Fred Sinowatz, will further complicate matters.

In his favonr Dr Vranitzky appears to have no avowed enemies—a considerable advantage in a party that has become increasingly split between warring factions.

Dr Vranitzky's rise has been rapid. He joined the Government as Finance Minister in September 1984 in the first major reshuffle of Dr Sinowatz's Government. A pleasant and amiable man who then openly described himself more as a businessman and financier than as a politician, he brought to his office many years of experience as o banker. He had also had a six-year spell as right-hand man to Dr Androsch when the latter was Finance Minister.

Israelis shocked and angry

BY ANDREW WHITLEY IN TEL AVIV

ISRAELIS reacted with shock and anger yesterday to the victory of Dr Kurt Waldheim in the Austrian presidential election, amid signs that the Government may be attempting to limit the potential damage to bilateral relations.

The Foreign Ministry announced that Mr Michael Elitzur, Israel's ambassador to Vienna, was being recalled for consultations following Dr Waldheim's election. It also hinted that diplomatic relations may be downgraded to the chargé d'affaires level at a later date.

Members of the Knesset, the Israeli Parliament, rated the move as "a good first step." But there were calls from both the left and the right for Israel to go further and cut off diplomatic relations.

Official comment so far has been limited to expressions of "sorrow and disappointment." President Chaim Herzog yesterday urged moderation in Israel's reaction, recalling Austria's important role as o staging post for Soviet Jews leaving the Soviet Union.

President Herzog has not sent the usual message of congratulations to Dr Waldheim on his election victory which, although expected, presents Israeli policymakers with an unusual dilemma.

While cutting diplomatic ties would be a highly popular move, judging by the mood on the street, such a step would run directly counter to the constant goal of Israeli foreign policy: reducing the country's international isolation and gaining as hroad an acceptance as possible.

Israel also has to take into account the possible backlash against the small Austrian Jewish community, estimated at 8,000 to 9,000 strong, of any revival of anti-Semitism in Austria.

Waldheim's victory opens new era in Austrian politics

BY PATRICK BLUM IN VIENNA

THE SWEEPING victory of Dr Kurt Waldheim in Austris's presidential electioo on Sunday, despite international controversy over his wartime past, bas rocked the political establishment in Austria and opened up a new era in Austrian politics.

The election for the first time in *Austria's post-war history of* a candidate not supported by the Socialists is a bitter blow to the Socialist Party which has long regarded the presidency as its own special preserve.

It is a break with tradition and it ushers in a period of political uncertainty and soul searching for the party which has ruled Austria for 16 years.

The impact of Dr Waldheim's victory amid an international furore over allegations that he was implicated in Nazi atrocities in the Balkans during the second world war has also struck a damaging blow to the country's image and reputation.

Dr Waldheim has denied the allegations' but the controversy is likely to continue although, now that he has been elected, it is hoped in Vienna that foreign governments will want to play down the row for the sake of bilateral relations.

At home, the controversy has sparked off a resurgence of antisemitism couched in nationalist sentiments and mixed with resentment against foreigners who are perceived to have sought to "interfere" in Austria's internal affairs.

The force with which Dr Waldheim and senior politicians in the conservative People's Party which supports him denounced "foreign meddling" in the election campaign has contributed to the emergence of a new nationalism in Austria.

It has also raised deep fears among Austria's small Jewish community about a new wave of antisemitism. As the campaign unfolded and as the World Jewish Congress, among others, intensified its accusations against Dr Waldheim, Jewish leaders and organisations in Austria received bundreds of thretening letters.

Dr Simon Wiesenthal, the veteran Nazi bunter, said on Sunday night that Austris and its Jewish community were the real losers in the election. "The Jews became the object of this campaign. We bave had the biggest wave of anti-semitism in 40 years," he said.

There have been calls for Dr Waldheim to be barred entry into Israel, the US and Britain. Investigations obout Dr Waldheim's past are continuing in these countries and Israel has decided to recall its ambassador from Vienna for consultations.

In Israel itself, government ministers have declared that there is sufficient evidence against Dr Waldheim to put him on trial if he were there. Israeli politicians have called for Israel not to replace its ambassador in Vienna when his term expires this summer.

The international consequences of Sunday's election results are still unravelling despite attempts by Dr Waldheim and his supporters to minimise the controversy.

He has dismissed moves against him, arguing that the controversy would die down after his election. "I don't think that there will be any trouble in travelling abroad. One should not overestimate what is published in the press," he said on Sunday night.

Ironically, the man whose campaign posters emphasised his wide international experience as a major asset now declares that he will focus his attention on domestic issues rather than foreign travel. "The most important thing is domestic politics. That must have priority. Journeys abroad will be of secondary importance at first," he said on Sunday.

Dr Waldheim will also encounter problems at home. The Government and the Socialist Party have said that they would accept the decision of the electorate and seek to estahlish normal working relations with Dr Waldheim.

Nevertheless, the vitriolic exchanges between his and the Government's supporters will not be forgotten by many inside and outside the Socialist Party.

Small groups opposed to Dr Waldheim are already preparing to step up their protests whenever he appears public, with the aim of forcing him to resign. The threat is not taken too seriously in Vienna but it is widely believed that the divisiveness of the campaign will spill out into protests against the president, something unheard of in consensus-minded Austria.

"In the past, presidents have always' been sacrosanct, but this will not be the case with Dr Waldheim. He will face protests at home and attacks from abroad," s Socialist official said yesterday.

Dr Waldheim: consequences of poll still unravelling

Dr Waldheim's victory will also make "co-habitation" with the Socialist-led coalition Government difficult. The exceptionally bitter exchange between the two main parties during the campaign will make future co-operation between them as is traditional in Austria extremely diffucult.

Dr Waldheim has said that he would press ahead with a programme of "moral renewal" and that he would make full use of the president's powers. These allow him to play s key role in the formation of a new government. He appoints the chancellor, he can dismiss him and the whole government, dissolve parliament and call new elections, all of which are important considerations in s country where coalitions are common.

How Dr Waldheim will use these powers is an open question although the size of his victory appears to be encouraging him to play a far more interventionist role than is traditional.

The latest poster displayed immediately after the election hails Dr Waldheim's victory with the words "Now back to the future." In the wake of Sunday'a defeat and yesterday'a hurried cabinet changes, most Socialists are wondering towards what future they are heading.

Pressure on Irish exports

THE weakening of sterling and the dollar has seriously hit the competitiveness of Irish exporters, curbing order books and threatening thousands of jobs, Mr Leo O'Donnell, president of the Confederation of Irish Industry, said yesterday, Hugh Carnegy reports from Dublin.

The currencies of Ireland's two main trading partners had weakened sharply against the punt for the first time in decades, offsetting the beneficial effects of lower energy prices, interest rates and inflation which were also available to competitors overseas.

"In many cases, industry must cut its export prices to Britain by 10 per cent or the prices of products sold to the US by up to 30 per cent compared to the prices obtainable n few months ago," Mr O'Donnell *said.*

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Poles enter debt talks as hopes rise for accord

BY ALEXANDER NICOLL AND CHRISTIAN TYLER IN LONDON

POLISH officials will meet leading Western creditor banks in Vienna tomorrow in a further effort to agree rescheduling terms for up to $800m of debt payments falling due this year.

The meeting will take place against a background of further rehabilitation of Poland among offical creditors. Britain yesterday indicated it would resume official credits.

Pressure to reach an accord with the banks is mounting, with $260m falling due this week under the terms of a previous 1981 rescheduling.

Hopes have been raised by a meeting last week at which the gap between the two sides appeared to narrow. Poland'e recent admission to the International Monetary Fund (IMF), potentially easing the way to new credits, and the resumption of official loans by some European governments have also smoothed the path.

Yesterday, a senior UK trade official said Britain was prepared to join the other West European governments in reopening official credit lines to Poland.

An embargo on official credit, imposed in February 1982 as part of Nato sanctions in reply to martial law, was lifted in October 1984. But Britain has been "off cover" for Poland since then because of the country'a payments problems.

A small revolving line of about £20m ($30m) for short-term business is now proposed, subject to certain conditions, in recognition of Poland's better financial standing.

The Export Credits Guarantee Department (ECGD) in London said the decision took account of progress made in debt consolidation and clearance of some arrears due to the UK and other creditors. It is understood that some interest payments on rescheduled debt have been made.

Before the new trade credit can go ahead, Poland must sign a bilateral debt agreement, initialled in March, for 1986 maturities.

Poland must also clear all arrears on existing debt agreements with the UK. The ECGD is thought to have about £800m worth of payments owing, with another £300m or so in the pipeline due to exporters insured with it.

The offer of renewed support for trade loans, made at the Poznan trade fair by Mr Christopher Roberts, a Department of Trada and Industry deputy secretary, was described by diplomats as a small but important step in restoring normal trade relations between the two countries.

It follows similar decisions by France, West Germany, Austria and two or three other Western nations.

A senior diplomat described Britain'e political approach to Poland as one of "critical dialogue" in which human rights remained "an important issue."

If it materialises, the £20m UK credit would have to be supported by irrevocable letters of credit opened with the Bank Handlowy.

When talks with the banks began several months ago, Poland sought to reschedule all $800m due this year under 1981 and 1982 reschedulings while the banks offered to stretch out repayment of only 75 per cent.

Banks now appear ready to reschedule virtually all the payments, but a proposal they put at last week'a meeting includes a request for down-payment of a small portion.

Poland, with $29bn of foreign debt owed mostly to governments, is suffering a cash shortage due to poor economic performance last year.

David White in Madrid on the politician who is both a winner and a loser

Spanish right in post-Francoist dilemma

IN THE basketball hall in Salamanca, they are jostling for a good glimpse of Mr Manuel Fraga Iribarne. "They" include some of the youngsters on whom Mr Fraga, the veteran Conservative leader, is relying for his new campaign image in Spain's general election.

Bnt the majority are over 50. Ladies bring out their fans, and st one point an enthusiastic spectator on the floor starts waving his walking stick.

The lesson from the audience is clear: those who like Mr Fraga like him very much. During the warm-up speeches, they appland on cue as the sword-thrusts are mado against the Socialist Government—unemployment, drugs, violence, conditions for farmers. The values of Catholic, individualistic old Castile are defended: church, education, the family, honour. But what the packed hall wants is Mr Fraga himself.

Mr Fraga . . . asset and disadvantage

The man personifies the dilemma of the Spanisb right as it faces what polls predict could be a poorer result than four years ago, when it won 106 of the 350 seats in Congress. Without Mr Fraga, it is unlikely that his Popular Alliance—now linked with the Christian Democrats and so-called Liberals in the Popular Coalition — would have become the second party in the country. With Mr Fraga, it is unlikely that it will sver do better than being the second party.

The 63-year-old Mr Fraga, an energotic bulldozer of a man, with the fastest delivery of any orator in Spanisb politics, has had two political careers. The first was as General Franco's Minister of Information and Tourism in the 1960s.

A liberal in tha regime, be was moved aside in 1969 and later made ambassador in London, before returning to become Interior Minister in the initial post-Franco period.

His link with the past is an asset in the eyes of some supporters, who like to see bim as a restraining influence in the new democratic Spain. But to a much greater degree it is a liability. Although many opponents recognise that he played a key part in the translation to democracy, his association with the dictatorship severely limits his potential vote.

For Mr Fraga, whose favourite novel is The Guns of Navarone, this election could prove to be bis last major challenge. In order to counter his reputation for being bullying, impatient and impulsive, his eampaign managers have tried to produce the same kind of vigorous, modern image that worked for Mr Anibal Cavaco Silva in Portugal and for Mr Jacques Chirac in France.

But his party has had difficulty covering over its contradictions and divisions. Its espousal of Chirac-style privatisation plans appears less than wholehearted on the part of those elements with roots in the Franco regime, which built up Spain's state industrial sector.

Tho referendum on Nato membership in March, in which the party called for abstention, caused rifts — especially with some of its business allies. At the time, Mr Fraga claimed the high abstention rate as a victory. But, significantly, at the meeting in Salamanca nobody mentioned the referendum.

The coalition, which gives Mr Fraga's own party a more Centre-Right complexion as well aa offering the leaders of the other parties a chance of getting seats in parliament, is pulling at the seams. In the old university town of Salamanca, top position on its list of Congress candidates waa given to a woman from the Christian Democrat PDP, Mrs Pilar Fornandez Labrador—to the evident displeasure of the local Popular Alliance establishment.

Mr Filipe Gonzalez, the Socialist Prime Minister, has stirred matters up by predicting that Mr Fraga's party coalition will "not survive as such after the elections."

Whatever the result, some reorganisation of forces on the Spanish Centre-Right appears inevitable after June 22.

But early polls indicate that in the areas where the reformists are standing (they are not fielding candidates in Catalonia or tho Basque country, where strong Centre-right parties are already in place), the movement may not obtain many seats. And the Christian Democrats have been able to survive up to now only in the sbadow of a major party.

The question then arises of how the Right is to reorganise if Mr Fraga's Popular Alliance remains its leading element. However fragile its relations with its partners, Popular Alliaoce is far from being a fragile party.

It has more paid-up members than the Socialists and still appears to be very mnch under Mr Fraga's personal control. His colleagues know there is a debit side as well as a credit side to having him as leader. But they, and the Right ss a whole, are caught between tbe need to replace bim and the lack of an obvious person to do the job.

Nato move 'threatens negotiations on chemical weapons treaty'

BY WILLIAM DULLFORCE IN GENEVA

THE DECISION by Nato defence ministers last month to approvo the production of new chemical weapons by the US can set back promising negotiations on a treaty to ban chemical weapons, the president of the United Nations Conference on Disarmament suggested yesterday.

Mr Konstantin Tellalov of Bulgaria said the Nato decision would barm the work of the conference: new questions and new problems would now be raised at ths conference table.

The US bad assumed a big responsibility in deciding to prodnce new chemical weapons at a time when it was clear that progress was being made towards a treaty, Mr Tellalov said.

The 40-nation conference resumed yesterday after a six-week break with only one issue, the chemical weapons treaty, atill being actively negotiated. The presidency of tho conference rotates monthly.

Towards the end of tbe last session in April the Soviet Union said it would agree to systematic on-site inspection of the destruction of its cbemical weapons plants, if a treaty were agreed.

This concession did not meet US insistence on a verification procedure providing for inspection of chemical plants "on challenge," but it was taken as a signal that Moscow was intent on pursuing tbe negotiations.

The US stopped making chemical weapons in 1969. It claims that the Soviet Union has gone on producing until it now bolds an arsenal of chemical arms as great as the combined stocks of the rest of the world.

President Ronald Reagan has proposed that the US resumes production of so-called hinary weapons, containing two non-toxic chemicals which become lethal only wben mixed.

The Administration'a svowed objectives were to replace ageing and potentially dangorous existing stocka and to exert pressure on the Soviet Union to break the impasse over verification that bss been preventing agreement on a treaty banning cbemical weapons.

The US Congress had made funds for the modernisation programme dependent on the approval by Nato whicb came last month.

The Reagan Administration's announcement on May 27 that it no longer felt obliged to remain within the limits of the Salt-2 treaty on strategic nuclear arms would also "surely affect" deliberations st the resumed disarmament conference, Mr Tellalov said.

Winter cuts threatened if Soviet N-plants stay shut

BY MAX WILKINSON, RESOURCES EDITOR

THE SOVIET Union would suffer extensive power shortages next winter if the Chernohyl-type reactors were to remain closed for modification says a report by the Economist Intelligence Unit out today.

The report says the closure of 14 similar reactors after the explosion at Chernobyl in the Ukraine six weeks ago cut 7 per cent of the Soviet Union's electricity supply.

The report says that if investigations conclude that there is a basic flaw in the pressure channels in this type of reactor, about 25,000 channels would have to be renewed in the family of power plants.

Fortunately, Soviet power consumption drops hy 22 per cent during the summer.

But the report says: "If the cause of the explosion is difficult to ascertain snd the reactors remain closed by next winter, extensive power shortages will be inevitable, especially in tho Kiev, Leoingrad, Kursk and Moscow regions which are served hy nuclear stations with RBMK-1000 reactors" (the type in use at Chernobyl).

The ETU helieves that the Soviet Union's long-term energy prospects need not he affected hy the accident since most of the 41,000 Mw of new reactors planned up to 1990 will be of a different type, the pressure water reactor (PWR) made at Atommash.

The report says that the Izhorskii plant in Leningrad which makes tha RBMK-1000 type of reactor has heen tooling up since 1982 to make PWRs

A separate report from the US-based Cambridge Energy Research Associates (Cora) resches the conclusion that in the short terms the efforts of the Chernohyl accident on the Soviat energy programme will be small.

Gorbachev tells of plan for radical N-arms cuts

By Leslie Colitt in Budapest

THE SOVIET leader, Mr Mikhail Gorbachev, said the Warsaw Pact would propose "radical cuts" in conventional forces and weapons in Europe at the packed summit meeting which begins today in Budapest.

Mr Gorbachev first made the proposal to reduce non-nuclear forces from the "Atlantic to the Urals" last April in East Berlin. Nato officials said they were eagerly awaiting details.

In a speech in Budapest, tha Soviet leader sharply attacked the US for an "impossible, immoral and dangerous policy" of refusing to halt nuclear tests. He did not, however, mention Washington's apparent intention to give up compliance with the Salt 2 limitations on strategic missiles.

Mr Gorbachev reiterated that Moscow was prepared to start talks with London and Paris on a "step by step" reduction of Soviet, British and French nuclear capabilities which would inclnde "reliable controls."

Speaking for tho first time to a foreign audience since the nuclear power plant explosion at Chernobyl, he told Hungarians it had been a "shocking accident" and a "disaster" which caused sorrow in many countries. Chernobyl, he said, was a warning that mankind had put into operatian a "really fantastic force" which must be strictly checked.

The Soviet leader proposed that the leading nuclear powers co-operato within the International Atomic Energy Agency to create an economic and "most important, a reliable reactor type of a new generation."

Mr Gorbachev however began his speech to a Budapest factory rally by warning that the Communist countries had ta prove whether they were "capable" of searching for new economic ways and means. He called for a "daring reform" of tho economic mechanism, the complete reorganisation of management and an improvement in central planning. What was needed in his country, he said, was a "radical renewal" and a "far-reaching psychological transformation" in several areas of Soviet society.

BANK FOR INTERNATIONAL SETTLEMENTS REPORT

Peter Montagnon considers the BIS analysis of world economic development

Upbeat view tempered by bankers' caution

IT WOULD be easy to let a note of self-congratulation creep into any report on the development of the world economy over the last 18 months. The Bank for International Settlements sets an unequivocally upbeat tooe when it opens its latest annual report by *stating that* "the world economy now looks healthier on balance than it has done at any time during the past five or six years."

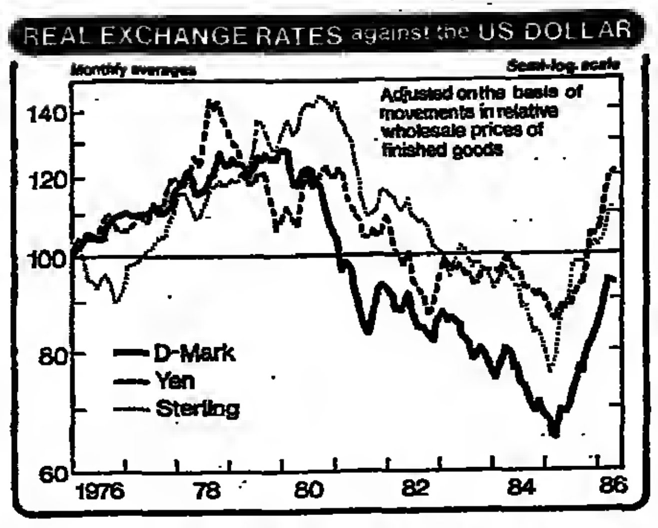
Predictably the Bank quotes a long litany of success—inflation is down, growth has been sustained, exchange rates are better balanced amid signs of greater ioternational co-operation, interest rates and oil prices have fallen, and the US at last appears willing to respond to internatiooal pressure to curb its budget deficit.

Yet, with e severity typical of the central bankers that own it, the BIS goes on to make some important qualifications. There are still, it says, some pressing underlying problems. Unemployment is too high in Europe, the debt crisis still looms for developing countries, financial innovation and sectoral problems such as those affecting agriculture in the US could still strain the banking system, and large payments imbalances remain between leading industrial countries.

In other words world economic policy makers cannot yet afford to rest on their laurels. In several areas there is still a oeed for patience and care in formnlating the right approach. Onc of the most difficult questions remains the "deeply cootroversial" debata about whether, now that inflatioo has seemingly been mastered, it would be desirable to go for even higher rates of growth in an effort to root out unemployment.

Here the BIS immediately injects a note of caution. On tha ooe hand it says that the success in fighting inflation has not been as complete as might appear. The fall in oil prices "*distracts* attention from the remaining cost-push elements etill at work in virtually all ecoo omies." On the other, it warns that fiscal stimulus alone will not suffice to reduce unemployment in Europe.

Surprisingly given the high levels of unemployment in Europe, the BIS warns thet one major concern is the lack of available capacity. Industrial capacity ntilisation in most leading industrial countries is still more than 90 per cent of its level at the 1973/5 peak.



"Despite the relatively alow pace of ccooomic recovery in Europe, there is a risk that capacity limits will be reached long before labour markct slack has beeo taken up.

"The precondition for raising the elevel of employment is to rebuild the depleted capital stock. Employment opportunities cannot be created hy government fiat; they can only arise out of the economic process itself, when it becomes economic for firms to invest and employ more people."

For much the same reason the BIS warns against expecting too much to result from US pressure on Japan and West Germany to reflate their economies in order to help unwind the large disequilibria in their respective balance of payments.

At the moment many countries feel either that their strategy is paying off or that more remains to be done to correct fundamental problems in their economies, it says. "Hence, agreement on coordinated fiscal expansion outside the US would seem very unlikely."

The BIS says one of its greatest concerns about mistaken policy responses lies precisely in this area of payments imbalances. The recent sharp realignment of exchange rates, which was a major cause of the large US deficit and surpluses run up by Japan and Germeny, may well be enough eventually to unwind the imbalances, but it will probably take longer than policy-makers are prepared to wait.

There will be long delays both because of the so-called J-curve effect and becousa lower oil prices have reduced the import bill of both Japan and West Germany. "What is necessary now is to muster the patieoce to wait for the effects on the current account which—in the light of the evidence from all major exchange rate changes since the early 1970s—will not fail to come through eventually."

Elsewhere the BIS lays great emphasis on the need for the US to follow through on its promises of a reduced budget deficit. "Without such a solution there is a risk of insufficient progress being mede towards a reduction of the present international imbalance. Put differently, the risks of e disorderly, and possibly deflationary resolution of the situetion would be heightened hy any failure to bring down the US hudget deficit."

It welcomes last autumn's ioitiative by Mr James Baker, US Treasury Secretary, on easing the developing country debt problem, which it describes as possibly the most important economic policy eveot of 1985. But it warns that implementing the plan will be very difficult, not least because of the political obstacles in the way of economic reform in the developing countries.

Nonetheless more than six months bave passed since the initiative *was launched* and "if the momentum of the initiative is not to be lost, it is vital that one or more debtor countries should as sooo as possible put programmes in place that will command the *support of all* the other parties involved and set their economies on the path towards susteinable growth and renewed international creditworthiness."

Against the present economic background, central banks, meanwhile, face a cousiderable challenge in managing monetary policy. Not only bas the relevance of specific targets become harder to assess in the curreot disinflationary climate; the mobility of capital makes for a moch greater international impact of mooetary policy decisions by individual central banks.

Moreover, as fiscal policy is now widely recognised as inflexible, there is a risk that too great a reliance may be placed on monetary policy as an instrument for sustaining growth.

A SHARP growth in Ecu dcposits in the international banking systcm is recorded hy the Bank for International Settlements in its annual report.

Deposits of Ecus by non-banks grew by the equivalent of $3.3bn or more than 100 per cent last year, broadening substantially the international base of the currency.

Moreover the origin of the increase was geographically wide suggesting a growing interest in the Ecu from outside the confines of the EEC.

This trend is supported by a *130 per cent increase in inter*-bank business in Ecus iovolving banks from non-EEC countries, the BIS added.

Ecu credits to non-banks grew more slowly last year, however, posting an increase of just $2.1bn, or 20.5 per cent.

EXCHANGE RATE TARGET DOUBTS

THE ESTABLISHMENT of formal target zooes for leading exchange rates may not be achieveable or even desirable at preseot, the Bank for International Settlements says in its annual report published today.

In a section of its report devoted to the current debate oo target zones the BIS welcomes the sharp fall in the dollar since the agreement on intervention reached last September by the main industrial powers. The new exchange rate structure should "go a long way, perhaps even the whole way" towards fostering a substantial reduction in the payments imhalances between *leading countries*.

But it would still be extremely difficult to agree on what could be regarded as an equilibrium pattern of exchange rates, even with wide margins.

One practical difficulty in implementing a target zones system would be that it would force an excessive reliance on monetary policy whose end result could be detrimental to domestic and international balance. This is because monetary policy is the only instrument that can react as quickly as responses to exchange rate movements require.

Had the US responded to the rise of the dollar after 1982 by easing monetary policy it would not bave been ahle to curb inflation, while higher interest rates elsewbere would have further undermined growth prospects in Europe and Japan, the BIS suggests.

The success of the European *Monetary System does not offer* proof that a system of more rigid exchange rates could be generally applied. It links countries of similar size and structure with a long history *of cooperation, does not include* the world's dominant reserve currency and, took years to establish.

"However untidy it may seem, a gradual approach (towards stebilising exchange rates), combining verbal guidance, exchange market intervention end visible signs of co-ordinated policy action, seems for the time being to be the only realistic option, perhaps opening np the possibilities of more 'systematic' changes in the longer term."

None the less, the BIS warns that having now adopted a more activist approach to exchange market policy, it is important that industrial countries stay the course.

The Plaza agreement of the Group Five nations last Sept*ember has sharply increased* the attention dealers pay to the actual or perceived intentions of the authorities. "It would be a great pity — and could have a grevely destabilis*ing influence on the future* development of the market — if these expectations were to be dashed."

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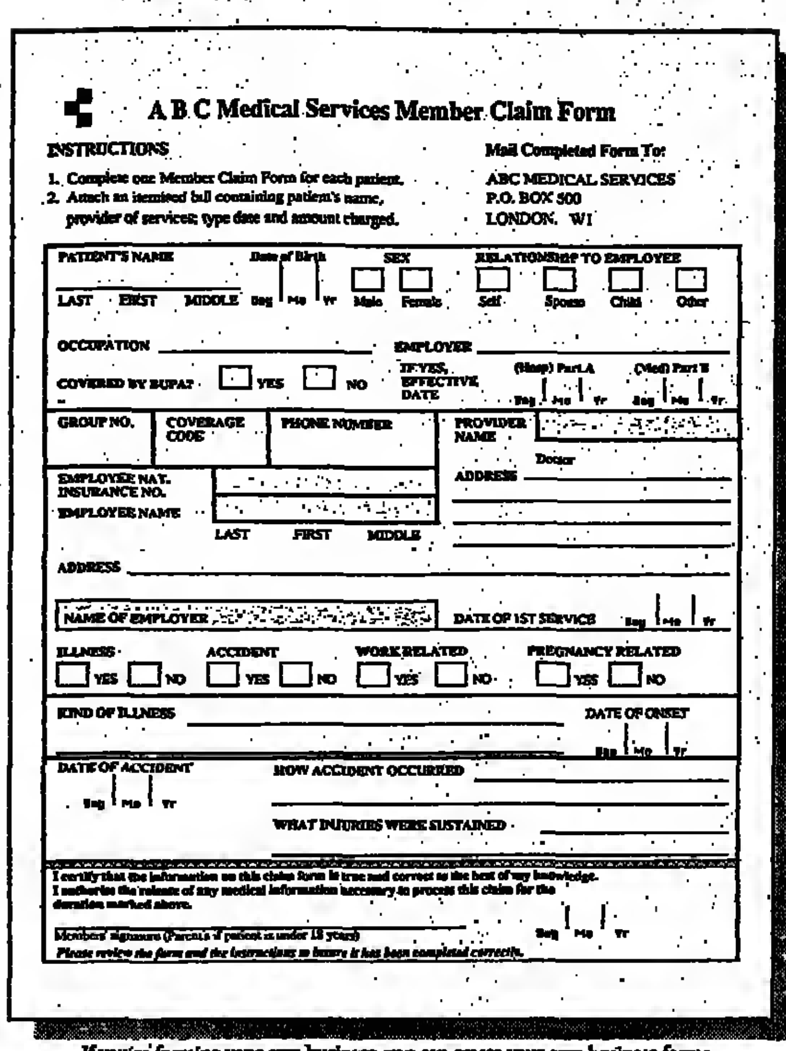

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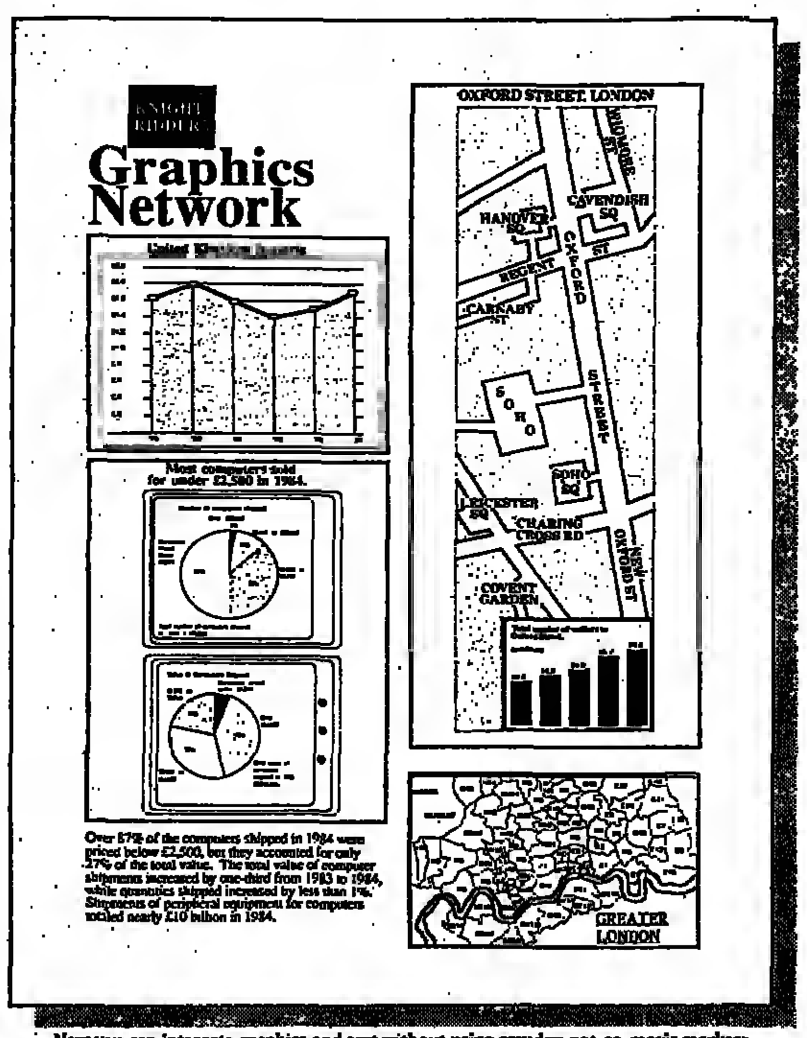

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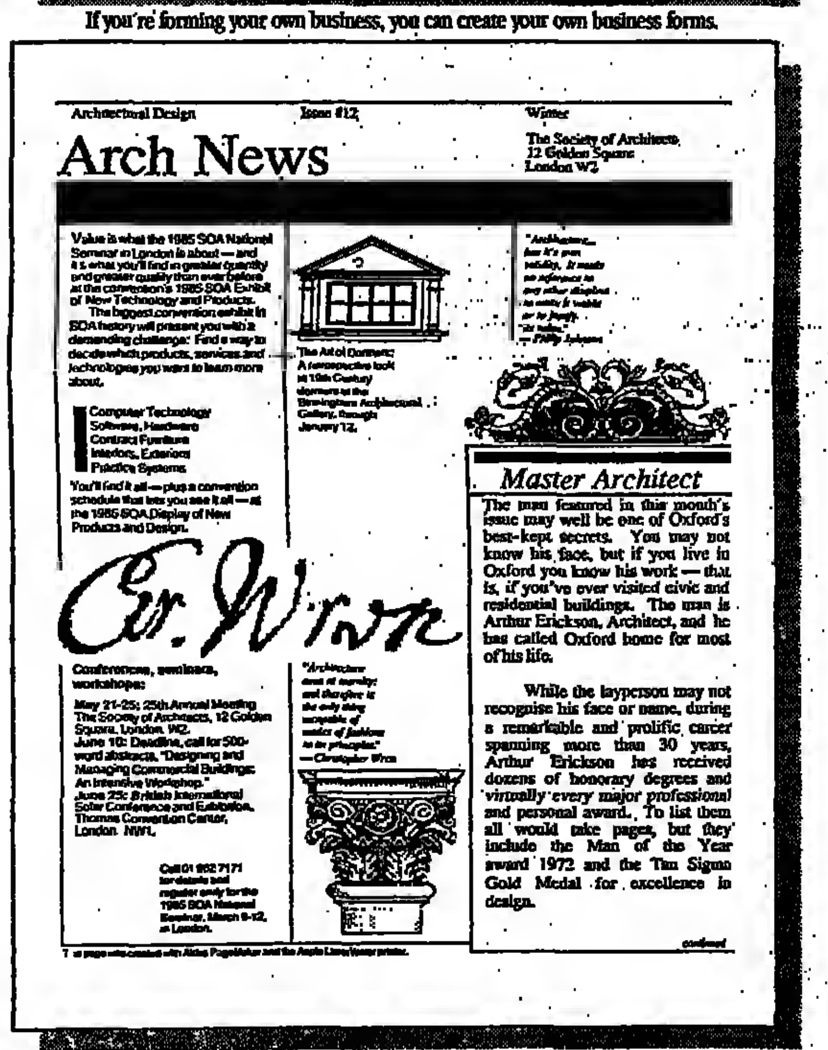

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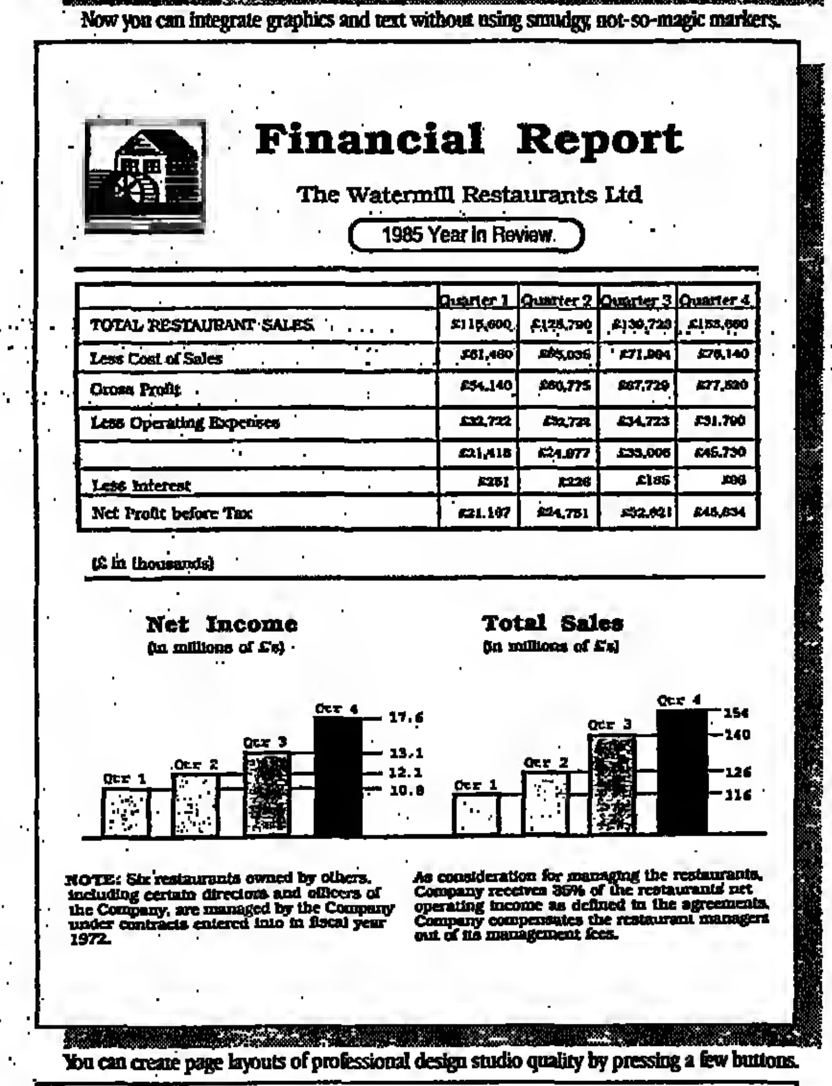

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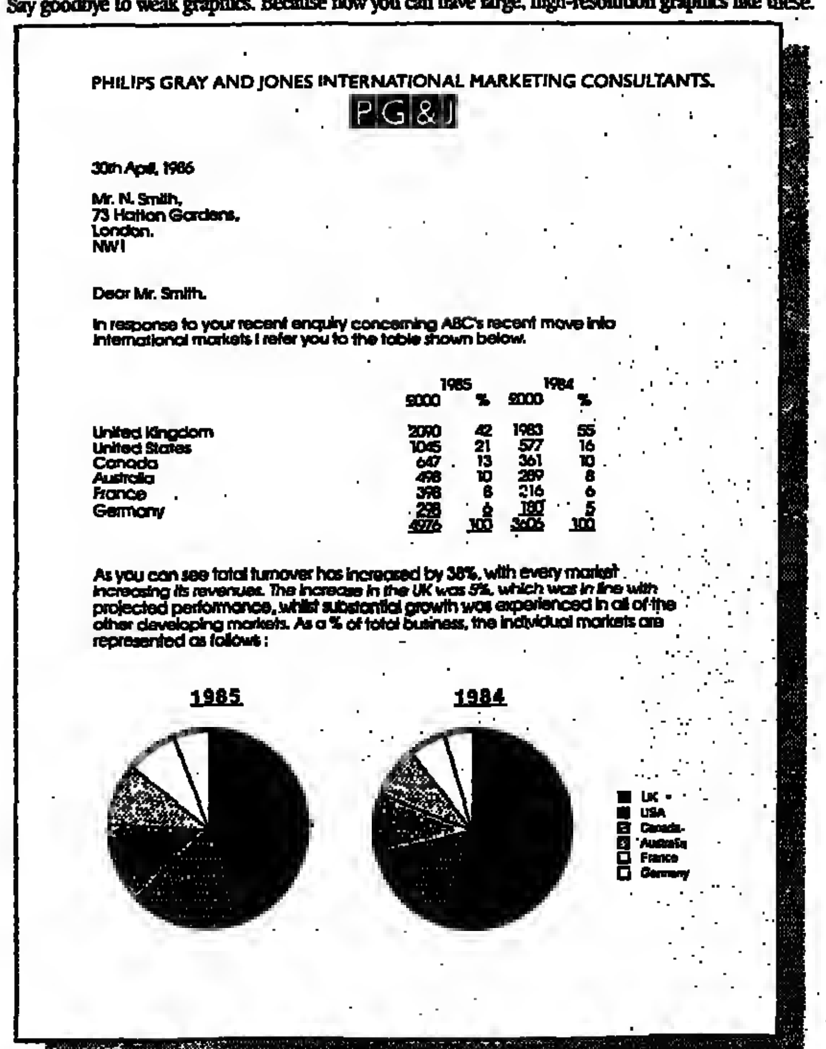

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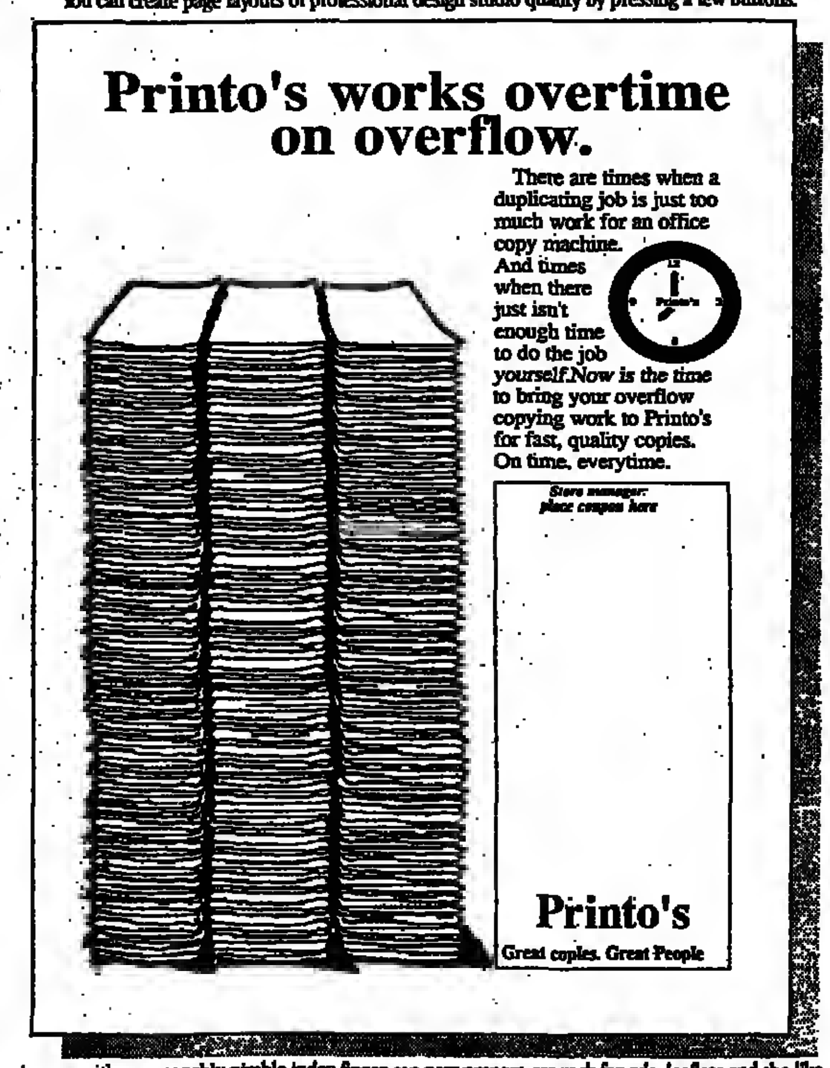

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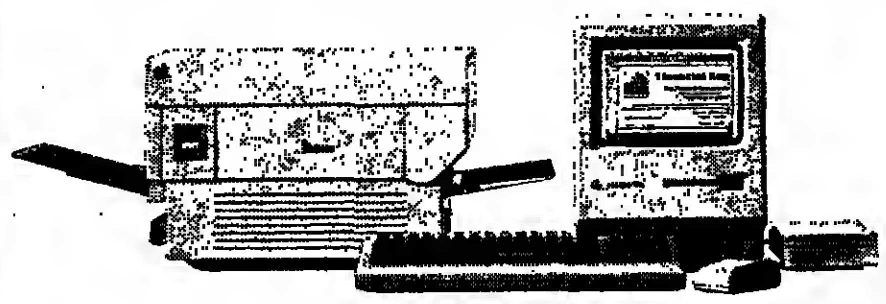

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AMERICAN NEWS

THE US PRESIDENTIAL COMMISSION'S REPORT ON THE CHALLENGER DISASTER

Nasa taken to task for 'flawed' launch decision

BY NANCY DUNNE IN WASHINGTON

THE US presidential commission investigating the explosion of the space shuttle Challenger yesterday released its long-awaited report which is short on harsh rhetoric but long on facts and recommendations for ensuring safety on future shuttle flights.

The 256-page report declares bluntly that the decision to launch Challenger on January 28 was "flawed." Those who gave the go-ahead to fly were unaware of both the problems concerning the O-ring seals in the rocket booster joints—which ultimately led to the fatal accident—and the initial contractors' recommendation not to fly at below 53 degrees.

The commission found "failures in communication that resulted in a decision to launch (Challenger) based on incomplete and sometimes misleading information, a conflict between engineering data and management judgments and a Nasa management structure that permitted internal flight safety problems to bypass key shuttle managers.

Managers at Marshall Space Flight Centre in Huntsville, Alabama, came in for much of the criticism. The commission was "troubled by what appears to be a propensity of management at Marshall to contain potentially serious problems and attempt to resolve them internally rather than communicate them forward."

Condemnation fell too on the managements of Nasa and Morton Thiokol, manufacturer of the booster rockets. Faced with a faulty design of the joint, they failed to recognise it as a problem, then failed to fix it and finally treated it as an acceptable risk." Thiokol managers reversed their engineer's recommendation not to launch "to accommodate a major customer," the report said.

As tests and shuttle flights indicated the danger of the O-rings, neither Nasa nor the contractor called for a grounding of the shuttle. Instead, they increased the level of damage to the vital O-rings deemed to be acceptable.

Put in harsher terms by Dr Richard Feynman, the colourful Nobel prize winning physicist on the commission, Nasa and Morton Thiokol decided to launch "as a kind of Russian roulette. (The shuttle) flies (with O-ring erosion) and nothing happens. Then it is suggested, therefore that tha risk is no longer so high for the next flights. We can lower our standards a little bit because we got away with it last time.

Members of the commission, including Mr William Rogers, chairman, in the centre, on a tour of Kennedy Space Centre earlier this year

Dr Feynman reportedly came close to not signing the report because some of his harsh criticism had been softened by Mr William Rogers, the commission chairman. A compromise over a few word changes was affected by a third commission member, Major General Donald Kutyna.

Tha accident, the report said, might have been avoided. "Even the most cursory examination of (O-ring) failure rata should have indicated that a serious and potentially disastrous situation was developing on all solid rocket booster joints." A better managed safety system would have "flagged the rising doubts at the solid rocket booster joint seal."

The report ruled out sabotage or any shuttle system failure, other than the rocket joints, as contributing to the accident. It did, however, examine the "ambiuous" warning issued by Rockwell that ice on the launch pad posed a danger to the mission. While Rockwell, did not give a no-launch recommendation it did tell Nasa that "the ice was an unknown condition."

"The commission finds the decision to launch questionable under those circumstances," the report said. "Nasa appeared to be requiring a contractor to prove that it was not safe to launch rather than proving it was safe."

The commission made various recommendations to improve Nasa's safety assurance system. It said that "the unrelenting pressure to meet the demands of an accelerating flight schedule" might have been handled if Nasa had the same "exactingly thorough procedures that were its hallmark during the Apollo programme."

Among its other findings were:

- Organisational structures at Marshall and Kennedy space centres which placed safety, rellability and quality assurances offices under the supervision of the very organisations whose efforts they were to check.
- Even had the Challenger accident not occured, Nasa would have heen unable to deliver on its projected shuttle flight schedule. Spare parts are in critically short supply. Too many late changes were allowed in cargo scheduling. The system was unable to deliver craw training software for scheduled flights by the designated dates.
- The astronauts had no warnings of impending disaster.

The commission said that unnecessary risks have to be eliminated from the shuttle programme. It gave specific instructions about testing for new rocket joiots and said the independent National Research Council should ovarsee the design.

It recommended that Nasa avoid reliance on the shuttle as its single launch vehicle and it called for a safeyt organisation with direct authority throughout the space agency.

Congress will now start its own investigation into the Challenger and the future of the space programme. Hearings begin today with Mr Rogers scheduled to testify.

Banker hints of resistance to Mexico on financing

BY PETER MONTAGNON IN BASLE

MR ALEXANDRE Lamfalussy, general manager of the Bank for International Settlements, hinted strongly yesterday that leading central hanks would resist any request from Mexico for hridging finance to tide it over its liquidity shortage.

He told a press conference that although the criteria for granting hridging finance were not set in advance, there were striking differences between the situation now and that prevailing in August 1982, when central hanks agreed a short term loan of $1.85hn.

The present crisis had not come as an unexpected shock to the hanking system, which was hetter placed to cope, he said.

Interoational banks had increased their capital over the past four years and established well-tried methods for dealing with deht problems.

"Baoks are io a stronger position to bargain and are more experienced," he said.

"In 1982 we didn't know what the full amount of the debt was and there was no mechanism for working out a renegotiation process."

Mr Jean Godeaux, president of the BIS, confirmed that worries ahout Mexico had been discussed among top central bankers at the annual meeting here.

"The seriousness of the situation is not underestimated," he said.

Mr Lamfalossy

"I would think that we central hankers feel that the problem is mostly in the hands of international agencies, namely the International Monetary Funds and World Banks." he said.

Jobless rate in Texas rises to 9.6%

By Mary Frings in Dallas

THE UNEMPOYMENT rata in Texas rose to a record 9.6 per cent in May, as the effects of plunging oil prices continued to batter the state's economy.

The may figure is up from 8.5 per cent in April and 6.9 per cent a year ago. Since January the stata has lost 32,000 jobs directly related to the oil and gas industry, hringing the number of Texans out of work to 779,000.

Among the 11 largest industrial states, only Michigan, with 9.8 per cent unemployment, fared worse.

Governor Mark White blamed the rising jobless rate on low oil prices and renewed his call for a temporary tariff on imported oil.

Haitian leader stands firm against protestors

BY CANUTE JAMES IN JAMAICA

THE PROVISIONAL government of Haiti appeared increasingly isolated yesterday in the wake of tha decision of Lt Gen Henri Namphy, who heads tha administration, to stand firm after several days of violent protests against his refusal to sack two unpopular members of government.

More severe problems for tha beleaguered leader, who has been running the country for the past four months, are likely today following the decision of opposition politicians to call a general strike to force his hand.

Tha protests are not aimed at hringing down Mr Namphy because the government's critics would like him to stay in office until a general election.

The army, which he beads, is still regarded as the only body capable of imposing law and order in Haiti since former President Jean Clande Duvalier filed the republic early in February.

Diplomats in Port-au-Prince, tha capital, said yesterday that Mr Namphy's announcement of presidential elections in November next year has not placated the interim government's detractors. There are indications of growing strength for moves to rid the administration of officials who were close to the 28-year dictatorship of the Duvalier family.

Diplomats say the country's problems are causing concern in Washington, although there is little to indicate that the Reagan Administration is preparing military intervention.

Food aid for Jamaica

The British, US and Canadian governments are rushing food, medical supplies and tents to Jamaica to aid in the rescue and rehabilitation of thousands of people affected by floods in the southern and eastern parts of the island, writes Canute James

The death toll from the floods has reached 40 but the police say they expect this to rise as several more people are missing. Thousands of farms have been destroyed and bridges and roads have been washed away.

Mr Edward Seaga, the Prime Minister, described the floods as a national disaster, but said he did not intend to declare a state of emergency.

Argentine farmers strike over plan for land tax

BY TIM COONE IN BUENOS AIRES

ARGENTINA'S farmers began a three-day strike yesterday, to protest at the Government's plans to introduce a land tax.

The farmers are suspending delivery of grains, meat and other produce to wholesale markets, slaughterhouses, and food-processing plants. Food shortages are expected in all the main retail food markets and shops by midweek.

This will, in turn, provoke price rises which will push up the monthly inflation rate figures, and undermine government efforts to keep the annual inflation rate to under 28 per cent this year.

The land tax is being proposed as an alternative to levying taxes on grain exports, which the farmers argue are depressing production and making Argentinian grains uncompetitive in the international market.

Argentina depends for approximately 20 per cent of its tax revenue from the grain export taxes.

The farmers, however, argue that a land tax would be an intolerable burden on top of existing capital and property taxes.

The Government faces further labour problems later this week. A nationwide stoppage has been called by the opposition-controlled trade unions, in protest at the Government's economic stabilisation programme, the Austral plan.

US telephone strike

Communications breakdown holds up the line

PAUL TAYLOR in New York reports on the strike at AT and T in which nearly half the staff has rejected a pay offer of 8 per cent over three years

FOR THE PAST 10 days the friendly voice of the operator at American Telephone and Telegraph, part of the American "have a nice day" syndrome, has been replaced by a more surly tape-recorded message.

"I'm sorry," it says. "Due to an AT & T work stoppage, we are unable to handle your call immediately. If your call is urgent, stay on the line and an operator will answer. If not please try at a later time. Thank you for your patience."

For those dealing with the giant US telecommunications group at present, patience is definitely a virtue. Since 155,000 members of the Communications Workers of America (CWA) union, slightly under half the staff, went on strike, AT & T's switchboards have been staffed by a mixture of managers and temporary help. The staff rejected a new three-year wage contract which would provide phased-in pay incrases of 8 per cent over three years.

The strike has had a mixed impact. More than 90 per cent of AT and T's long-distance calls are dialled directly without human intervention. Neither these calls, nor local calls handled by the independent Bell Telephone companies spun off from AT and T at the start of 1984 are affected.

But reverse charge calls and long distance telephone traffic from areas not equipped with direct dialling are being hit. Indeed horror stories are already appearing, such as the West Chicago woman who found her one-year-old daughter floating face down in their swimming pool.

When she dialled the emergency number, she got a recorded message telling her to wait, so rushed outside for help. A disabled man in a wheelchair was able to revive the child.

Overall, however, the strike is proving to be more of an inconvenience than a disaster. The 15,000 managers and 3,000 temporary operators hired after the strike have been given a few hours training before being confronted by the red, yellow and white AT and T switchboards, and the resulting make-do service certainly lacks some of the speed and style of the regular operators. But it is functioning, and at the end of last week, delays had been reduced from a minute to 12 seconds.

AT and T has made it clear that it wants its union members back as soon as possible. One reason is that the stand-in managers are mostly working six-day 12-hour shifts, which may not be sustainable for long.

Another reason is that the CWA strike could hit AT and T's other operations, even though the company may profit in the short term because of its reduced wages bill. At risk is the group's ability to maintain its customers' equipment and fulfill new orders.

A prolonged strike could also lead to delays in orders for the company's beleaguered information systems division, which lost an estimated $800m last year. That division will be helped however by the decision of negotiators for the International Brotherhood of Electrical Workers (IBEW) another AT and T union representing 41,000 employees mainly in manufacturing plants, to recommend acceptance of an identical contract to the one rejected by the CWA. IBEW members are due to vote on the contract on June 15.

The major profit generator at AT & T is however the long distance telephone service, which is being maintained, highlighting the tenuous position of the CWA. The union's last strike against AT & T in 1983 lasted 22 days and most analysts bad expected the current round of negotiations to lead to a peaceful settlement.

At the crux of the AT & T dispute is the company's attempts to get to grips with labour costs, which amount to about a fifth of total costs. Despite AT & T's insistence that it is not asking for concessions from the union, the CWA views some aspects of the proposed three-year contract with deep suspicion.

In particular it is unhappy that the new contract would do away with traditional cost-of-living wage increases in return for the fixed 8 per cent pay rise over three years. That pay increase would lift a telephone operator's weekly wage packet to $448 from $414, and the average pay to $512 a week from $473.

Yesterday, talks between the two sides remained deadlocked.

All eyes are now on the IBEW vote on June 15. If that union votes to accept the management package, the CWA leadership could find itself under pressure to fall into line.

Vigilantes renew fighting in Crossroads camp

BY ANTHONY ROBINSON & PATTI WALDMEIR IN JOHANNESBURG

WIDESPREAD fighting broke out again at the Crossroads squatter complex near Capetown yesterday as thousands of armed vigilantes from the Old Crossroad section of the camp attacked refugees from earlier fighting, who were temporarily housed in the adjacent KTC squatter camp.

Zolani Centre, the main hunger relief point in Nyanga, the township next to Crossroads, was burned to the ground as well as several Red Cross tents and other emergency aid facilities.

The fighting began yesterday morning as aeveral thousand vigilantes confronted a smaller crowd of KTC squatters and refugees from the three New Crossroads communities destroyed three weeks ago. At least five people are reported to have been killed and dozens injured as fighting raged between the closely packed shacks. Hundreds were set alight, sending plumes of black smoke over the entire area.

Residents of the KTC camp had provided refuge for many of the estimated 50,000 people who lost their homes in fighting three weeka ago. Refugees included leaders of the three displaced communities and several hundred young "comrades."

Heavy police and army reinforcements were sent to the area, which has been continuously patrolled by the combined security forces over the past three weeks. Despite police assurances that they were trying to keep the two warring factions apart, witnesses reported that the police appeared unwilling or unable to stop the fighting and had fired tear gas at those trying to prevent the attackers from burning their shacks.

Reporters were lster barred from the area and several wbite opposition Progressive Federal Party (PFP) MPs, including Mrs Helen Suzman, the party's law and order spokesman, were prevented from entering the zone.

In a statement issued in Cape Town yesterday the PFP renewed its demand for a judicial inquiry into the crisis at Crossroads, including that of the role played by the police. Until now the Government has refused these demands and has refused to allow the homeless to rebuild their burned-out homes on the now-cleared Crossroads site. Instead, they are trying to force the bomeless to move to a new site and aervice facilities at Khayelitsha some 15 km away.

The fresh fighting comes at a time when Pretoria is giving increasingly strong signals that it plans tough sction to preempt possible unrest on or around the June 16 anniversary of the 1976 Soweto school children's uprising. Anti-apartheid groups have planned mass demonstrations, commamorative rallies and a one-day general strike to mark Soweto Day next week.

A commentary yesterday on South African radio, whicb normally provides a barometer of government thinking, said it was "inconceivable" that preemptive action would not be taken. Weekend reports in the Afrikaans press, which has close links with Government, spoke of the possibility that a state of emergency or even martial law may be declared to deal with what the Government says it expects to be violent protest demonstrations.

Any decision on such a move is likely to hinge on the outcome of today's meeting of the tricameral parliament's joint standing committee on law and order, which will try to find a compromise on two tough new security bills stalled in parliament because of opposition from Indian and coloured members.

Call for India to boost industrial efficiency

INDIA must improve industrial efficiency and curb population growth to achieve targets set in the seventh five-year development plan ending March 1990, the World Bank said, Reuter reports from New Delhi.

The bank's annual report on India welcomed recent policy changes initiated by the Government to open up the sheltered economy to growing domestic and foreign competition.

But it said more needs to be done to scelerate industrial efficiency, as the agriculture and service sectors have only limited potential for more rapid growth.

Tbe plan aims to raise economic growth from an annual rate of 3.5 to 4 per cent to 5 per cent doring the five-year period.

"This is an ambitious but necessary growth target, if pervasive poverty and employment problems are to be effectively addressed," it said.

To ensure economic gains are not eaten away by a fast multiplying population, the Government must curb further increases, as ". . . despite an assumed drop in the fertility rate by a third, the population will still be increasing at a 1.5 per cent per annum rate in the year 2000," the report said.

Iran cut off after Iraqi raid on satellite station

IRANIAN telecommunications with the rest of the world were severed yesterday after an Iraqi air raid on a satellite ground station, Reuter reports from Bahrain.

Iraq reported yesterday that its air force bad attacked communications stations at Assad Abad, in sonthern Iran, leaving them "ablaze and wrecked."

Diplomats in the Gulf said the Assad Abad complex boused Iran's largest station for reception and transmission of satellite signals.

Callers as far afield as Tokyo, Hong Kong, Stockholm and London, as well as throughout the Gnlf, said yesterday their switchboard operators and telecommunications companies were reporting all lines to Tehran "temporarily suspended" without official explanation.

Iraq yesterday reported another raid on a ship in the Gulf, its third in less than 48 hours.

Nakasone sets out goals for LDP in July election

BY JUREK MARTIN IN TOKYO

JAPAN'S governing Liberal Democratic Party must win a mioimum 257 seats to maintain a bare majority of the lower bouse of parliament in tbe July 6 general elections, according to Mr Yasuhiro Nakasone, Prime Minister.

Speaking to a meeting of tha party faithful yesterday, he said that number was necessary to implement policy. Beyond that, he added: "We want to win as many seats as possible."

Over the next month, Mr Nakasone will be pressed hard for more details about his electoral goals in an election which will be very much about expectations. It is improbable that the LDP will lose power and likely that it will gain seats.

Equally significant was the publication yesterday by the LDP of a list of 310 officially endorsed candidates. Though some may still be added, it is accepted wisdom that the more people the party runs, the less well it does because its candidates start competing against each other.

Mr Nakasonc's cautious minimum goal will not satisfy his party critics. In 1983, the LDP saw its parliamentary roster drop from 284 to 250 and was forced to co-opt eight elected nominal independents as well as eotering into a coalition with the small New Liberal Club to secure control over the Diet (parliament). If it won only 257 seats next month, there would be pressure on Mr Nakasone to resign straightaway.

A more important yardstick is the 271 needed for a safe parliamentary majority in the new 512-member lower bouse, giving the LDP effective control over the Diet's standing committees and presumably dispensing with the need for a coalition, which the party dislikes.

The Japanese political system tends to militate against big swinga in the popular vote. But in both 1980 and 1983, the impact of small shifts in national opinion in LDP representation was marked; in 1980, the party gained 3 per cent in popular support and went from 248 seats to 284, while in 1983 it dropped 2 per cent but lost 34 seats. All pelling evidence is that the LDP is more popular than in 1983.

Many opposition candidates who won in 1983 did so by bare majorities ahead of, invariably, an LDP loser, many of them beoeficiaries of the 1980 election. This reflects the fact thet new members returned in 1983 have had little time to establisb the necessary constituency record and would be particularly vulnerable to even a small swing back to the ruling party.

For these reasons, only partly offset by nervousness that the opposition parties will be able to pool resources and target certain constituencies with s fusion candidate, the LDP expectations for July 6 are quite high. Mr Nakasone obviously wants to contain them to avoid party complacency and, presumably, for his own self-interest.

Israel eliminates public sector deficit

By Andrew Whitley in Tel Aviv

ISRAEL ELIMINATED its domestic public sector deficit in the financial year to April and may even have been in surplus for the first time in 12 years, a top Finance Ministry official said.

Dr Emmanuel Sharon, director-general of the Finance Ministry, attributed the sharply improved performance to the cutting of state subsidies, the higher taxes imposed last year

As part of a broad overall improvement in public and national accounts compared with a year ago, Dr Sharon said no problems were expected this year with the external balance of payments.

Excluding capital services, foreign trade is now expected to be in balance in 1986; an improvement over the forecast of a $450m (£302m) deficit made at the start of this year. The sharp decline in oil and other commodity prices, together with the slump in the value of the dollar, to which the shekel is pegged, have been the principle factors responsible.

Dr Sharon said the Treasury will shortly be presenting the National Unity Government with fresh proposals to lop $350m off the budget

Trade debts may have to be rescheduled again, reports **Kathy Evans**, recently in Baghdad

Iraq faces payments crisis as oil price falls

AS ITS conflict with Iran approaches the end of its sixth year, Iraq is aqueezed more tightly than ever by an acute shortage of foreign exchange and is asking suppliers to agree to further debt rescheduling.

Negotiations are taking plsce with all creditor countries except the UK, where Baghdad is up to date with the servicing of some $700m in lines of credit covered by the Export Credits Guarantee Department, and involve an Iraqi request for a further grace period for repayments of principal.

A large proportion of Iraq's estimated trade debt of $15bn is accounted for by obligations deferred as a result of agreements reached in 1983. Some creditors are refusing to give any more credit, others will not contemplate any further rescheduling, but a few are prepared to be flexible.

Suppliers are concerned about the failure of the state-owned Rafidain Bank, the country's only commercial bank, to confirm lettera of credit, saying that the delays can only damage Iraq's international reputation at a time when Western banks and credit agenciea are being asked for more facilties. Yet the position in which Iraq finds itself is acarcely surprising.

At an early staga in the war, President Saddam Hussein decided that the conflict would not be allowed to impinge on the country's development or general standard of living. A policy of "guns, butter and videos" waa made possible by massive capital transfers from Saudi Arabia, Kuwait and, to a lesser extent, the United Arab Emirates.

But in 1983, wben it became clear Iraq had been over-ambitious in its development programme, it asked all creditors to defer repayments of principal until 1986. By that time, Baghdad argued, oil exports would be higher and prices would bave strengthened.

The opposite happened on oil prices. Although it has increased its export capacity, Iraq, like all other producers, has suffered from a fall of more than 50 per cent in per barrel receipts over the past six months. Tha most optimistic projectioos for oil revenue in 1986 give totat earnings of just over $8bn provided tbat exports average 1.5m barrels a day and the price stabilises at $15 a barrel.

This year payments of between $5bn and $6bn are due to suppliers. Iraq is notoriously aecretive about its economy for security reasons, but diplomats estimate that it will also oeed about $5bn for tbe war effort, up to $8bn for other imports, and $2bn or so for remittancas by the expatriate workforce.

Such a rough and ready calculation takes no account of obligations to the Soviet Union and the East bloc, a subject veiled in almost total secrecy. The "debt" to the Arab oil producing states of the Gulf, including "war relief crude," worth about $1.5bn a year which is supposed to be repaid in kind at some point, is the least of Baghdad's concerns. For practical purposes, Iraq appears to regard the enormous sum involved as an outright grant.

Saddam . . . guns, butter and videos

No doubt, it will be looking to Saudi Arabia and Kuwait to belp cover a potentially massive current account deficit if most of its suppliers do not agree to further rescheduling. In effect, the Gulf states would be expected to cover the military import bill.

With their own financial resources squeezed, the Gulf states will be reluctant to continue bankrolling Iraq on a big scale. Iran's success in establishing a foothold on the Faw peninsula in February may prove a bonus however, in having made them more acutely aware of how their own security could depend on Iraq's financial ability to maintain the war effort.

Appraciation of the implications was probably the reason why Saudi Arabia and Kuwait agreed to continue with the supply of war relief crude early this year, although their intention had been to phase it out, not least with the stability of tbe oil market in mind.

Nevertheless, the possibility that Iraq will need foreign credits for two-thirds of its imports this year and next presents foreign countries with a difficult predicament. More credit may mean more indebtedness, but the country is facing its most critical military challenge so far in the conflict, aod the wbole of the outstanding debt could be viewed as being st stake.

Its long-term potential is also a weighty consideration. The Iraqi regime, skilled at commercial politics, is always quick to empasise its claim that the country's oil reserves are second only to those of Saudi Arabia. Regardless of tbe outcome of tbe war, new pipeline capacity across Turkey and Saudi Arabia should double its oil export potential to 3m b/d by 1988.

Iraq's importance as an oil supplier has been the major reason for France's readiness to back Baghdad with supplies of sophisticated weaponry, in particular aircraft, and enter into oil barter deals for their payment. It is still giving cover on a selective basis, along with Italy, Sweden, South Korea, Brazil and Spain to a limited extent.

Some Japanese finance is still outstanding but it is related to a few specific projects. West Germaoy has effectively cut off further facilities althougb Bonn may be prepared to reschedule outstanding loans, but Turkey and India have set their face against any further deferment.

It is understood that Iraq's indebtedness was discussed in mid-May at a meeting of the Club of Paris, whicb groups the main creditor nations of the iodustrialised world. It was agreed that each creditor country should make its own arrangemeots with Baghdad.

Clearly, none of Iraq's creditors wants to risk excluding itself from the market in the long-term. But in the immediate future the odds are that only one project of any significance will obtain financing.

That is tbe second pbase of the trans-Arabian pipaline project with part of the cost lo be covered by crude and the rest by commercial financing.

WORLD TRADE NEWS

US urges Israel to cancel Lavi fighter project

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL IS coming under strong pressure from the US to cancel the Lavi fighter-bomber, on which over $1bn (£670m) of US military aid funds have already been spent.

Instead, the Reagan Administration is believed to be urging Israel to purchase an improved version of the General Dynamics F-16, or else the Northrop F-20, as its front-line combat aircraft, to replace the F-15 it currently has in service during the coming decade.

One solution to a dispute, which is as much about the development of defence technology in Israel as it is about the cost of the Lavi, may be a co-production on a revamped F-16, using avionics systems being developed by Israeli electronics companies for the Lavi.

Israel, in contrast, has for some time been seeking a major US defence contractor as a partner on the Lavi, to help spread its own development cost burden.

The Israeli Government is committed to building 250 Lavis, powered with the Pratt and Whitney 1120 engines, for its own Air Force at what it claims will be a unit "fly away cost" of $14m to $15m. Pentagon estimates put the likely final cost at $22m—a difference of 50 per cent.

Mr George Shultz, the US Secretary of State, and Mr Caspar Weinberger, the Defence Secretary, recently wrote to Prime Minister Shimon Peres urging him to reconsider the Lavi—the biggest project ever undertaken by Israel—on the grounds that its soaring cost would impose an excessive burden on the Israeli defence budget to the end of the century.

In an attempt to force a full-scale re-evaluation of the project, which has a development budget of $2.3bn, the Pentagon is understood to be holding up funding totalling $70m on US sub-contracts.

A Pentagon mission headed by Mr Dov Zakheim, a deputy Under Secretary, left Israel at the end of last week, after failing to bridge the wide gulf between the two sides.

So far, the National Unity Government and the Lavi manufacturer, the state-owned Israel Aircraft Industries (IAI), are standing firm. The Cabinet last month restated its full support for the project. Brigadier General Menachem Eini, the project head at IAI insisted yesterday that the development programme was proceeding as normal.

Brig Eini admitted that serious differences exist with the Americans over the cost of the production aircraft. "They are not happy with the programme," he said. "But we made it very clear that we are not considering any alternatives for the Lavi."

The first prototype of the Lavi will be formally rolled out next month, prior to a test flight scheduled for late September or early October. But no decision is understood to have been made yet on proceeding from the development to the production stage.

Foreign investment falters in China

By Colina MacDougall

FOREIGN investment growth in China has slowed for the first time since 1983, the official newspaper International Business has said in Peking.

The main reasons for the faltering growth are poor management, too much red tape and problems over foreign exchange, the newspaper says.

Figures for the January-April period show that foreign investment in China totalled around $500m (£333m) in the first four months compared to a record $5.85bn for calendar 1985.

Of the $16bn total since 1979, the majority comes from Hong Kong investors in part because the colony's businessmen see investment as a form of insurance in the run up to 1997 when Hong Kong reverts to China. Next in number of ventures, is the US, though individual values of American contracts are small.

"Businessmen are finding the investment climate in China increasingly murky," said one observer in London. "With growing decentralisation foreigners no longer know who they are dealing with, and Bank of China guarantees are increasingly hard to get."

"In terms of costs of doing business, labour productivity, access to the leadership, information and efficiency of government, China ranks behind east Asian countries competing with it for foreign investment," said a Western diplomat in Peking.

Foreign businessmen find that the time and expense required to put together a deal with a Chinese organisation is costly. They are further discouraged by the growing propensity for deals to fall apart or to strike new hurdles even when signed, added a London banker. "China's door is not so much open as swinging," he said.

The case of the American Motors Corporation (AMC), which has around a one third share in the Beijing (Peking) Jeep Corporation, is one example. The joint venture ran out of foreign exchange to purchase kits for assembly from the US company.

Opposition political lobbying is creating uncertainty, reports Mary Helen Spooner

Caution grows among Chile's foreign investors

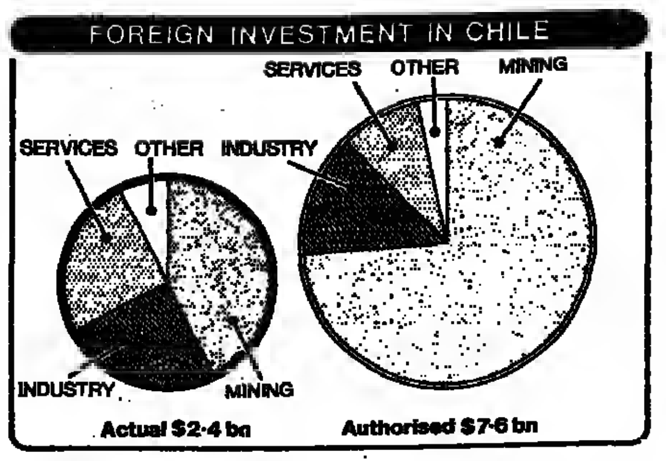
CHILE is continuing to attract considerable foreign investment, despite uncertainty about the country's future political situation when General Augusto Pinochet's term of office ends, in 1989.

The country's foreign investment statute is one of the most liberal in the world, providing no distinction between foreign and national investors and no restrictions on profit remittances. After three years restrictions on capital remittances are lifted, and the activities of foreign investors are subject to very little red tape.

According to Chile's Foreign Investment Committee, $26.9m in foreign investment funds were disbursed during the first four months of this year and new investment projects or expenditures worth $71.3m were authorised.

Nevertheless, one of the Pinochet regime's pet foreign investment projects, the Cerro Colorado copper mine, ran aground earlier this year when Outokumpu, the Finnish state mining company, decided to pull out. The company was to have provided 25 per cent of the financing and equity for the $210m project, with the remainder coming from West Germany, Canada and the Chilean State Development Corporation.

Though the Cerro Colorado's ore reserves and location make it a dubious venture, according to some experts, political factors played at least a partial role in the company's decision. Finnish trade unions pressured the Government over the Pinochet regime's human rights record, while at least two Opposition figures — a University student leader and a former Chilean Presidential candidate — warned the Finns that a future democratic Goverment would modify existing foreign investment regulations, imposing new restrictions on foreign mining projects in particular.



Mr Pedro Cahezon, executive secretary of Chile's Foreign Investment Committee, said the Outokumpu departure has only postponed, rather than cancelled, development of the Cerro Colorado project. But other Chilean officials implied that Opposition activity had been almost solely to blame for the pullout.

Mr Alfonso Marquez de la Plata the Labour Minister charged that "immoral and unacceptable" campaigning by the regime's opponents had jeopardised the Cerro Colorado project. Mr Samuel Lira, the Mining Minister, chided critics of the regime's foreign investment policies who, he said, simultaneously pleaded for better living conditions for the people while forgetting that without investment there could be no development.

The Mines Minister made his remarks during the inauguration of a new methanol plant involving a $300m investment, 80 per cent of which is being supplied by the US conglomerate Allied-Signal.

The issue also arose during the annual shareholders' meeting last month of Exxon, the US oil company. A group of Roman Catholic religious and lay people presented a motion against the proposed expansion of Exxon's mining operations in Chile.

Exxon bought the La Disputada copper mine in 1978 and has been authorised to invest $1.2bn in the project.

The Catholic Group's proposition urged that Exxon "suspend any expansion of its Chilean subsidiaries' mining operations until the government of that country re-establishes its citizens' total democratic rights." Although the motion was eventually rejected, it did receive considerable attention in the Chilean press.

The country's Opposition leaders have never advocated that foreign companies withdraw from Chile on the grounds that their activities support the Pinochet regime. They oppose large-scale foreign investments in mining on nationalist grounds, but there is no movement similar to South Africa's disinvestment campaign.

"If a foreign investment project is contributing to our national development, then it can be said to aid Chile's transition toward democracy," a Christian Democratic leader said, adding that a mass exodus of foreign investors from Chile "would only contribute to our economic misery."

He predicted that a future elected civilian government might modify the rules on free repatriation of profits and capital, but would respect previously signed agreements with foreign companies.

Chile has always offered foreign investors certain natural advantages, irrespective of its investment policy—low labour costs, advanced technology and good universities producing well-qualified professionals and technicians. In addition, the level of corruption and bribery in business and official circles is conspicuously lower than in other Latin American countries.

Its disadvantages include the country's isolated geographical position and small market. Political questions, therefore, have comprised only one factor influencing a foreign company's final decision.

"There was a rather cosy certainty before among the expatriate business community here that Pinochet would be in power until at least 1989, and that 1989 was a long way off," a Western diplomat in Santiago said. "From now on people might tend to wait and see, unless there are other compelling reasons for going ahead with a project."

FOREIGN INVESTMENT BY COUNTRY

Country	Authorised ($m)	Actual
US	5,081	1,221
Canada	794	11
Cayman Islands	274	6
Spain	235	193
UK	226	188
Panama	192	143
Netherlands	120	118

Tornado sale to Turkey runs into problems

BY PETER BRUCE IN BONN

ADVANCED negotiations to sell some 40 British, West German and Italian-built Tornado strike aircraft to Turkey, worth around DM 4bn (£1.2bn) have come to a virtual standstill because the three supplier countries cannot agree on how to finance the deal.

Officials at Panavia, the Munich-based group which manages production of the Tornado in the three partner countries, are also concerned that political difficulties for Mr Yasuhiro Nakasone, the Japanese Prime Minister, might mean the total failure of efforts to sell Tornado to Tokyo.

Outside Britain, West Germany and Italy, Tornado has been sold only to Saudi Arabia and Oman. Production of the 929 aircraft ordered so far expires in 1992 but each Tornado partner has a full production facility and in order for this expensive triplication not to go to waste after 1992, export orders are becoming increasingly important.

Panavia officials say the partner countries have also approached Singapore, Malaysia, Indonesia and Thailand and may also try to sell the aircraft in Brazil, which has its own highly developed aircraft industry. Jordan is expected to decide by the end of this year whether to buy 40 Tornado interceptors.

A Turkish order, which appeared to be almost certain when Mr Turgut Ozal, the Turkish prime minister, confirmed a strong interest in the aircraft during a trip to Western Europe nearly four months ago, has also been hampered by the failure so far by Nato to decide whether to develop the Konya airbase south of Ankara as its main low flying air base.

This would nivolve a DM 2bn expansion of the base, and employ about 30,000 people. Ankara has been trying to press Nato, or at least the West Germans, into using Konya, as an unspoken "condition" for buying Tornadoes but it is obviously proving difficult for the Toroado partners to agree on the extent to which expansion work at Konya should be calculated into the final Tornado order price.

The premier export credit agencies in Britain, West Germany and Italy had also agreed only to provide partial cover for a sale to Turkey, leaving the chief selling partner, in this case Bonn, baving to arrange a complex "forfeit" deal in which e forfeitor would buy aircraft not covered by export credits, sell them to the Turks, who would take out e medium term loan repayable after five years at rates above Libor.

NZ to sign dumping code

NEW ZEALAND said it will sign the General Agreement on Tariffs and Trade (Gatt) anti-dumping code due to its increasing reliance on tariffs, Reuter reports from Wellington.

Mr Geoffrey Palmer, acting Prime Minister said anti-dumping procedures have become more important as New Zealand has moved progressively to reduce import licence protection for its markets.

Mr Palmer gave no date for the signing, which will bring New Zealand into line with other Gatt signatories, including most of its major trading partners.

Acceptance of the code will give New Zealand e clear-cut formula for bandling complaints

Japanese consortium to build hotel in Istanbul

BY DAVID BARCHARD IN ANKARA

A JAPANESE consortium including Nippon Fire-Marine Insurance, Kumagai Gumi and the urban Techno-institute is to build a five star hotel in Istanbul with 600 rooms on land leased from the Istanbul municipality.

This is only the third Japanese joint venture ever to be set up in Turkey and comes during a week intended to promote Japanese — Turkish economic links.

The Japanese stake in the project will be 90 per cent. The local partner holding the remainder of the shares will be the Zihni group, a transport and trading conglomerate. Cost of constructing the hotel will be around $81m.

Philips signs joint venture with Taiwanese

PHILIPS, THE Dutch electronics company, has signed a contract with tha Taiwanese government and four local private companies to set up a $208m (£139m) joint very large scale integrated circuit (vlsi) plant in Taiwan, Reuter reports from Taipeh.

The Government said Philips will invest about $57.2m for a stake of 27.5 per cent in the venture. The Government will hold 48.3 per cent, and the rest will be split among the four local companies.

Philips will provide technology transfer to tha venture, which will start production this year.

The joint venture, called Taiwan Semiconductor Manufacturing will produce about 10,000 high-volume and high-yield vlsi a month by 1987 and 40,000 a month by 1990, a government official said.

He said more than 50 per cent of production will be exported to the US, Japan and Europe and the rest will go to the domestic market.

Shell pulls out of coal project

By Yoko Shibata

SHELL has told the Japanese electric power industry that it is going to withdraw from e proposed joint project to develop coal in Wyoming.

Shell's Pectin Coal International said that falling cruda oil and coal prices would make the project economically unviable.

Tha aim was to produce about 20m tons a year starting in 1990 for shipment to South Korea, Taiwan and Japan and other countries.

Japanese power companies were initially reluctant to participate in the project because growth in domestic power demand is slowing and coal supplies are secured for domestic consumption up until the mid 1990s.

However, they signed up in the hope that the project would help reduca dependence on Australia and ease trade friction with the US.

The Japanese power industry, last autumn retreated from a joint coal development prnject with a Colorado company, because of unexpectedly bigh transcontinental transportation costs from the US inland area to the west coast.

The Shell subsidiary was to bave supplied 7.5m tons of coal from the Wyoming field to Japan beginning in 1995. Anothar 7.5m tons was to have been exported to Taiwan and South Korea.

Fujitsu to set up chip plant in Singapore

By Yoko Shibata in Tokyo

FUJITSU is to start making semiconductors in Singapore in an attempt to comhat the yen's steep rise. The company will spend S$40m (£12.2m) on setting up assembly facilities for 256k dynamic ranadom access memory chips and plans to start production before the end of this year.

Fujitsu Singapore will import partly completed chips from Japan and its existing operations in Singapore, including the prodnction of relays, will be transferred to Malaysia.

The move is also aimed et averting US criticism of Japanese chip imports which has resulted in several US anti-dumping cases.

Fujitsu completes partly finished 256-kilobit drams and erasable programable read-only memory chips (eproms) shipped from Japan in its San Diego plant in the US.

In spite of this it facea high dumping charges of almost 75 per cent as a result nf a preliminary ruling by the US Commerce Department in April.

Hitachi and Toshiba have chip plants in Malaysia wbile NEC has plants in Singapore and Malaysia.

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	● Robert Fleming & Co.	10
American Express Bk.	10	Robert Fraser & Ptrs.	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	● Guinness Mahon	10
Associates Cap Corp	10	● Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	● Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co.	10
Bank Credit & Comm	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11½	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd.	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	11
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk.	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp.	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

UK NEWS

Eric Short assesses the impact of the latest ruling from the Council of Employment Ministers

EEC directive falls short of pensions sex equality

THE EEC has been discussing all aspects of sex equality for many years. Late last week, the Council of Employment Ministers issued yet another directive on the implementation of the principle of equal treatment for men and women in occupational pension schemes.

In practical terms, the directive gives no more pensions equality than already exists in spite of the enthusiastic reception given it by Mr Kenneth Clarke, the Paymaster General and Employment Minister, who took the lead at the council for the UK.

In connection with company pension schemes, Mr Clarke said the directive would prohibit discrimination between men and women on conditions of membership, the level of contributions and—subject to certain exceptions—in the level and type of benefits.

It is those exceptions, which are wide-ranging, that has enabled the Association of British Insurers and the National Association of Pension Funds to express their satisfaction with the document. The Equal Opportunities Commission, however, is bitterly disappointed.

The directive lays down that occupational schemes must allow equal access to membership to both men and women — already a requirement under UK employment law.

Most UK occupational pension schemes operate on the "defined benefit" principle: pension and other benefit levels are stated in terms of an employee's earnings either at or near retirement or averaged in real terms over the working lifetime. In almost all schemes, the benefit rates are the same for men and women.

Since the employer usually pays one global contribution as a percentage of the payroll, there is no question of differing contributions.

The main inequality in occupational pension schemes arises because women generally retire earlier than men. Most schemes follow the state pattern of retirement at 65 for men and 60 for women.

The EEC directive states that retirement ages must be the same, but then comes the first exception. Occupational schemes do not have to implement equal ages until the state scheme has done so. Inspite of all the pressure from the pension industry, the EOC and the TUC, the Government has continually ducked the issue.

The second exception relates to options offered to members by company pension schemes. The two most important of these are the option at retirement to convert part of the pension into a cash sum and the option to make further contributions — known as additional voluntary contributions to boost benefits.

Schemes are allowed to take the greater life expectancy of women into account in applying options.

For commutation, the greater life expectancy benefits women in that they have to forgo less pension for a given cash sum than men of the same age.

With AVCs, they mostly operate on a "money purchase" basis, women get lower benefits than men for the same contribution.

The directive also deals with money purchase schemes. In these schemes, contributions are accumulated until retirement when the aggregate amount is used to buy a pension. Since women have a longer life expectancy, the accumulated sum buys less pension than for men of the same age.

The previous directive proposed equal treatment for men and women—the so-called "unisex annuities." This was warmly welcomed by the EOC and bitterly opposed by life companies and the actuarial profession.

The new EEC directive permits differences in life expectancy and ill-health to be taken into account in fixing pension rates for men and women in these money purchase schemes, whether on a company or individual basis.

Mr Clarke said that this decision was taken after a lot of careful thought. It was agreed that it was the only realistic course if the employment ministers wished to avoid imposing financial and administrative burdens which would dissuade some employers, particularly small companies, from operating schemes.

The EOC finds this reasoning extremely weak, since the Government twice gave a commitment to unisex annuities, in pension proposals last year.

Life companies are allowed under section 45 of the 1975 Sex Discrimination Act to quote different rates for men and women providing this is based on accepted statistics. The EOC accepts that the actuarial tables comply with this section, although it contends that regional differences in mortality are greater than that between the sexes, yet actuaries do not allow for this. It wants the section repealed.

Under the new directive, self-employed women and others getting pensions from a money purchase scheme would continue to receive lower pensions than men of the same age in spite of paying the same contribution.

The Government will now have to reconsider its persoual pension proposals as set out in the Social Security Bill. This introduces the concept of equal pensions for equal contributions et the same age so far as the minimum contribution is concerned. There is no restriction on additional contributions.

Kenneth Clarke: directive will prohibit discrimination in pension schemes

The EEC directive confirms the status quo in UK pensions. Now it is the turn of the EOC to lobby the Council of Employment Ministers to persuade it that there are very strong social reasons for equal treatment in annuities.

UK NEWS

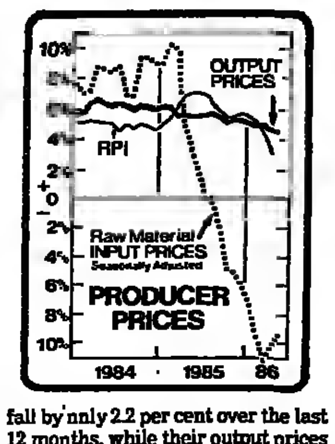
Factory gate price rises at 12-year low

BY GEORGE GRAHAM

INFLATION IN manufacturers' factory gate prices slowed last month to its lowest level since 1974, and officials believe it can continue to drop in coming months.

The rate of increase in manufacturing industry's output prices, however, remains far in excess of its fuel and raw material costs, which have fallen steadily since February 1985.

Producers' output prices are provisionally estimated to have risen by 0.2 per cent in May, the Department of Trade and Industry (DTI) said yesterday. This brought the annual inflation rate down to 4.5 per cent, compared with 4.6 per cent in April.



Input prices, meanwhile, fell by 0.4 per cent last month to stand 8.5 per cent lower than a year earlier. The drop reflected lower prices for petroleum products and a fall in the cost of industrial electricity. A further fall is expected after last week's announcement of an immediate cut in electricity prices.

Much of the decline in producer input prices has resulted from the fall in oil prices. Fuel costs overall stood 11.1 per cent lower in May than a year earlier. Other raw materials, however, have also fallen in price, reflecting falling commodity markets and the decline in the value of the dollar over the past year.

These falling prices have not fed through fully into manufacturers' output prices. For most industries, wages and salaries make up more than 50 per cent of costs, and labour costs per unit of output in the first quarter of the year rose by 8.3 per cent from the same period a year earlier.

For some industries the change has been dramatic. Producers of artificial fibres, whose raw materials are largely oil-based, have seen their input costs fall by 10.3 per cent over the past year. They have, however, managed to put up their output prices by 7.3 per cent in the same period, the DTI figures show.

Food, drink and tobacco industries have seen their input prices fall by only 2.2 per cent over the last 12 months, while their output prices rose by 4.6 per cent. For all other industries, input prices fell by 11.8 per cent while output prices rose by 4.4 per cent.

Consumer price inflation has slowed further than manufacturers' prices. The Retail Price Index (RPI) in April showed inflation at 3 per cent, and a further decline is expected for May, to be announced on Friday. If mortgage rates and petrol prices are excluded from the RPI, however, the rate of increase is similar to that for manufacturers' output prices.

In the City of London, financial markets have been hoping that the announcement of low inflation figures would provide the trigger for a half percentage point cut in bank base rates to 9½ per cent. Yesterday, however, the Bank of England reinforced its cautious signal last week by keeping the money markets short of cash. In the interbank market, three month interest rates stayed unchanged at 9¾ per cent.

Anatole Kaletsky writes: Mr Walter Eltis, the free market economist from Exeter College, Oxford, has been appointed economic director of the National Economic Development Office. Mr Eltis has been a strong supporter of the Government's efforts to cut public spending and curb state intervention in the private sector.

Watchdog role for auditors to change

By Nick Bunker

THE GOVERNMENT has decided against its draft proposal to impose a statutory duty on company auditors to act as watchdogs for the UK's new investor protection regulators.

Instead, ministers have given professional accountancy bodies the task over the next 12 months of defining circumstances, such as suspected fraud, in which auditors should bypass clients and report directly to regulatory bodies such as the Securities and Investments Board (SIB).

The Department of Trade and Industry (DTI) would retain reserve powers to lay down relevant rules itself if the profession failed to issue adequate guidelines, Mr Michael Howard, the corporate and consumer affairs minister, said yesterday.

The announcement met a lukewarm reception from professional accountancy bodies, which predict considerable difficulties in drawing up guidelines acceptable to the DTI, the SIB and their member firms.

Mr Howard's statement came as the DTI unveiled a package of amendments to the Financial Services Bill, which this week enters its final stages in the House of Commons.

Auditors have accepted the need for some extra duty to report suspicions about a client investment business. They have voiced fears, however, about the threat to their traditional close client relationships and the risk of lawsuits for breach of confidence.

Mr Howard said yesterday that the bill would be changed to protect auditors from liability for losses suffered as a result of a report to a regulator made in good faith. Such reports would also have qualified privilege against actions for defamation from clients.

The Institute of Chartered Accountants in England and Wales said that this would still leave auditors open to suits for negligence if they failed to report suspicions of fraud to regulators.

FARMERS PROPOSE £50M PLAN FOR SURPLUS LAND

Forestry funding scheme urged

BY ANDREW GOWERS

THE BRITISH farming industry yesterday called for publicly funded incentives worth up to £50m a year to persuade farmers to start commercial timber production on surplus agricultural land.

The National Farmers' Union (NFU) said such a scheme – funded by the EEC in conjunction with national governments – would provide farmers with additional revenue at a time when their traditional sources of income were being squeezed. It claimed that the plan could also reduce the overall pressure on the EEC budget and cut the UK's import bill.

The NFU plan, revealed yesterday, will be studied with interest at the European Commission, which is working on policy proposals for forestry.

The Community budget is under strain as a result of the increasing cost of storing and subsidising exports of surplus crops such as cereals. By contrast, the EEC and the UK in particular are substantial net importers of timber.

The plan is likely to receive a cool reception in Whitehall, however. Mr Michael Jopling, the Agriculture Minister, is campaigning for incentives to encourage farmers to take surplus land out of production or to switch it to crops in which the Community is not self-sufficient. But his officials favour a short-term scheme which would aim to retire land for say five years rather than the substantial long-term commitment required for subsidising forestry.

Mr Simon Gourlay, the NFU president, said that forestry could not take off as a farm enterprise "unless the EEC, the Government and the public accept the need to provide realistic and continuing income support for those who embark on this very long-term activity."

It takes 20 to 25 years for even the fastest-growing conifers to provide a return and 40 years for them to reach maturity. For broad-leaved trees the time-lag between initial investment and revenue can be 100 years or more. The NFU's idea is that the authorities should make up the income gap during the growing period and that financial support should be phased out once the trees are paying their way.

Such a scheme – estimated to cost £50m annually in peak years – would help to boost the UK's forested area from its relatively low level of 9 per cent of the total and could result in significant savings on the import bill, says the NFU.

The UK imports more than 90 per cent of its timber at an annual cost of £4.5bn. Growers say there is a rising demand for wood in the British paper and board industries. In addition, there could be savings in excess of £100m on EEC agricultural support expenditure, the NFU claims.

British timber growers already benefit from government grants and tax breaks, but these have been more attractive to big investors from outside the industry.

The NFU is also proposing that the present grant system should be rationalised, that land planted to trees should be exempt from capital transfer tax and that the Government could encourage investment in the modernisation and construction of sawmills.

Journalists on Murdoch paper vote to stop work at Wapping

BY DAVID BRINDLE AND HELEN HAGUE

JOURNALISTS on the Sun daily newspaper have voted in a secret ballot to stop working at the Wapping, east London, plant at the centre of the News International dispute.

The company, of which Mr Rupert Murdoch is chairman, sacked 5,500 print workers after they went on strike over the transfer of production to Wapping. Last week, the print unions' sacked members voted to continue the 20-week dispute by rejecting Mr Murdoch's "final" offer of compensation.

Some Sun journalists said last night that, as a result of their own ballot, they would not today cross picket lines outside the plant. However, there is unlikely to be any immediate effect on production of the tabloid newspaper, which sells over 4m copies, the highest daily circulation in the UK.

The ballot, conducted by the Sun chapel (office branch) of the National Union of Journalists, posed the question: "Do you wish to continue working at Wapping?", adding that a No vote would be taken to be in favour of industrial action, up to and including strike action, in breach of employment terms.

In the result, declared last night, 94 NUJ members voted No and 80 voted Yes. There were three spoiled papers and a turnout of 177 of the 220 or so chapel members.

Mr Murdoch's other UK national newspapers – the News of the World, The Times and The Sunday Times – are also published at Wapping. Journalists on the latter two titles have invoked their disputes procedure with the company but the Sun chapel is the first to vote on possible industrial action over working conditions. It will meet again tomorrow to decide what action to take.

The outcome of the vote, which was not expected, will be a big morale boost to the print workers' unions as they try to give the Wapping dispute fresh momentum in the wake of their sacked members' decisions to reject settlement terms.

Ms Brenda Dean, general secretary of the print union Sogat '82, yesterday hit back at London branches which have criticised her handling of the dispute. She appealed for unity within the union.

In her opening speech to the union's conference in Scarborough, Yorkshire, she defended her leadership record in the light of criticism from strike activists and pledged she would ensure that no branch or group of individuals hijacked the union.

Stressing that Sogat represented 207,000 members, she told delegates that "any talk or attempt at a breakaway in this union will do nothing for the members that such wreckers purport to represent."

In a reference to criticism levelled at her by London branches that she had not done enough to step up the dispute, Ms Dean said: "I am not interested in machismo breast-thumping, or street corner chants about 'selling people down the river.' That sort of chant usually comes from those who have failed to recognise that there is no longer any river to sell them down."

Record loss by Lloyd's

By John Moore

THE NEAR £45m paid by the authorities of the Lloyd's London insurance market to the British Inland Revenue to settle disputed tax arrears of the market's insurance underwriters has led to the administration declaring its largest ever deficit.

The figures are revealed in the latest report and accounts of the central administrative body of Lloyd's, the Corporation of Lloyd's. The accounts for the financial year to December 31 last show a deficit of £18.4m, compared with a surplus of £24m a year earlier. This is believed to be the largest deficit since the corporation was formed more than a 100 years ago.

The corporation is the non-trading administrative hub of the Lloyd's insurance market. It provides support services for the market's members. It derives its revenues from subscriptions from the market's members.

The accounts show that an extraordinary charge has been made of £43.4m on behalf of the membership to settle a long-running dispute with the Revenue on arrears of tax liabilities.

This settlement was agreed with the Revenue last autumn after one of the most acrimonious disputes ever to take place between the tax authorities and a major British institution.

The Revenue argued that Lloyd's underwriters had been arranging insurance contracts with the specific purpose of avoiding tax liabilities. In a controversial move Lloyd's decided that although the entire market was not affected by the dispute the disputed liabilities should be met from the market's central funds.

Mr Peter Miller, Lloyd's chairman, in his statement in the report said that was the intention of Lloyd's ruling body, the council, "to ensure that this (the central settlement) provides a basis for an improved relationship with the Inland Revenue."

The settlement with the Revenue and the cost of moving the Lloyd's market into a new building in the City of London had been responsible for the continued high level of borrowing. The accounts show that loans rose from £8.7m to £51m.

Posgate fights sale of agency

By John Moore

MR IAN POSGATE, once a leading underwriter in the Lloyd's insurance market, is attempting to prevent the business of a large Lloyd's underwriting agency which he founded from being sold.

Mr Posgate has gained a court injunction to stop insurance syndicates, formed of 2,500 Lloyd's underwriting members, under the management of his agency, Posgate & Denby, from being sold to other interests.

Mr Posgate is fighting to return to the Lloyd's insurance market to resume work. Last year he was suspended for six months by the Lloyd's authorities after he was found guilty of receiving gifts from Alexander Howden, the insurance broker for whose interests he once worked.

Although the suspension period has expired, the Lloyd's authorities are still attempting to block his return to the market and he is mounting an appeal.

Optimism on steel project for China

CHINA IS eager to go ahead with building an iron and steel plant at Ningbo, Zhejiang province, Vice-premier Li Peng said in London yesterday, Colina MacDougall writes.

Mr Roger Kingdon, chief executive of the Davy McKee (Teesside) Group, which has carried out a pre-feasibility study on the site, said that both they and the Chinese wished to proceed with the project.

At the same time, a £150m port development project, under discussion between the British port of Felixstowe and the Ningbo Harbour Administration, may also go ahead.

Vice-premier Li, who is accompanying China's Communist Party secretary-general Hu Yaobang on his official visit to Britain, said he was keen that the harbour development should be timed to accompany the steel plant.

The proposed steel plant, which is still at an early stage of negotiation, would be built by a consortium led by Davy, and including GEC, British Oxygen, Northern Engineering Industries, Babcock and the West German company Ferrostahl. China badly needs it since last year it imported 20m tons of steel, Vice-premier Li said.

The project was first suggested to Davy about 18 months ago by Sir Y. K. Pao, the Hongkong businessman who is a native of Nigbo. Financial arrangements for the plant were not disclosed.

□ UNCERTAINTY over the future of the Northern Ireland Assembly could be cleared up later this week. The Cabinet meets on Thursday to discuss the fate of the Assembly, for which elections are due in the autumn. A government statement could be made later the same day. It is not expected that ministers will decide on the outright abolition of the Assembly but call instead for its dissolution, enabling it to be reactivated without the need for fresh legislation.

□ TANDY is to close eight of its 16 AT Computerworld stores because of the weak demand for personal computers. The stores were once part of a joint venture with Apricot Computers which was set up with ambitious plans to become the largest European retailer of personal computers.

The joint-venture in the UK split up earlier this year. Mr John Sayers, managing director of Tandy (UK), said the closures were necessary to cut overheads.

□ BOOTS, the chemist and pharmaceuticals manufacturer, is making an agreed bid worth £19m for Clement Clarke (Holdings), an opticians' chain, in a move which would make Boots number two in the £250m a-year retail optical market.

If the bid succeeds Boots would add 86 opticians outlets, mainly in the prosperous south of England, to the 68 optical practices it has opened inside its stores since it went into this market in August, 1983.

□ DESIGN consultants have been awarded a contract to create a new corporate formula for Debenhams, the department store chain acquired last year by Burton Group after a £560m takeover fight. The deal, with Fitch & Co, ends any lingering hope that Sir Terence Conran's Storehouse Group would play a leading part in the redesign of Debenhams as envisaged at the time of the takeover.

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UK NEWS

BT exchange orders provide jobs boost for Thorn Ericsson

BY JASON CRISP

THORN ERICSSON expects to take on between 500 and 1,000 staff as a result of the substantial orders for local exchanges won last year from British Telecom (BT).

Most of the new jobs will be at its factory in Scunthorpe, Lincolnshire, where it is spending £14m to double the size of the existing plant. Thorn Ericsson, a joint venture between Thorn EMI and L. M. Ericsson of Sweden, won a £100m contract to supply BT with digital exchanges in March last year.

The award was strongly criticised by Plessey and GEC Telecommunications which supply BT with System X digital exchanges. At one time, GEC blamed some redundancies on BT's decision to seek a second exchange.

Thorn Ericsson is to supply BT with 100,000 exchange lines this year and between 300,000 and 500,000 next year. The first exchange is being installed at Sevenoaks, Kent, and is expected to be completed at the end of this month.

The company employs 160 software engineers in Brighton to adapt the LM Ericsson Axe exchanges to work in the British telephone network. Employment at Scunthorpe is expected to more than double to over 500 as it starts making the exchanges there.

At present, the Scunthorpe plant makes telephones and private exchanges. Once the expansion is completed the plant will have a capacity to make 700,000 lines of private and public exchanges.

Thorn Ericsson is also recruiting a number of installation engineers. Mr Duncan MacDougall, managing director of Thorn Ericsson said yesterday: "Depending on the level of BT orders, we could create as many as 1,000 jobs over the next two years."

BT is about to invite tenders for exchanges on a fully competitive basis. This will be fought out between Plessey, GEC Telecommunications and Thorn Ericsson. Professor Bryan Carsberg, director general of the Office of Telecommunications, told BT it should restrict orders from Thorn Ericsson for the first three years. However, BT has always said it is not bound by the decision.

It is likely that System X – which BT itself spent over £350m developing – will win the largest share of the orders.

NCB's borrowing limit stays

BY MAURICE SAMUELSON

THE GOVERNMENT has told the coal industry it will receive no more taxpayers' money this financial year in spite of the cut in the price of coal to power stations announced last week.

Mr Peter Walker, Energy Secretary, said yesterday that although cheaper oil had increased the competitive pressure on coal, the National Coal Board's external financial limit for 1986-87 would be kept at £730m.

This is the same as the provisional figure proposed in last February's public expenditure White Paper (policy statement), drawn up before the collapse of the oil price.

Last Thursday, the coal and electricity industries confirmed that the price of British coal to the Central Electricity Generating Board would be cut by some £300m a year over the next two years because of the falling price of oil and overseas coal.

US companies 'fighting back' in semiconductor markets

FINANCIAL TIMES REPORTER

FINANCIAL TIMES CONFERENCE
World Electronics

US SEMICONDUCTOR manufacturers are fighting back against the growing Japanese dominance in the electronics market, Mr Clement Pause, vice-president of international manufacturing and service for the National Semiconductor Corporation, said yesterday.

He told the Financial Times conference on world electronics that although the US market share for semiconductors was not as strong as it was, US electronics companies had not accepted the prospect of a continually diminishing role. This was in spite of figures from the Dataquest organisation that Japan's market share for semiconductors would continue to increase until 1990.

Until a few years ago most US semiconductor leaders would have said that to maintain technological leadership was enough. Now, while that was important, it was no longer the only goal. The other major issues were forging closer relationships with both customers and competitors and dealing with the new global economy.

He pointed to South Korea and Brazil, as well as Japan and several European countries as areas which were flooding the US market with low-priced products, while trying to keep US products out of their own markets.

Mr Gerritt Jeelof, vice-chairman of Philips, said that when he was asked to explain why the "Mega Project" – the joint venture between Philips and Siemens, aimed at the development of sub-micron technology – was necessary, he was tempted to reply "simply because it's a must." Philips had a strategic need for both components to put the company to the front of developments in telecommunications, computers and consumer products. Operationally, Philips needed the experience of micro-component development at that level.

The joint venture between the two companies was a logical result of the developments in the world markets for micro-electronics and the competitive position of European companies in the electronics market.

Prof Gordon Edge, group chief executive of PA Technology, said Europe had to pay attention to the quality of its skill base in electronics if it were not to end up making products low in skill, and importing products with a high research and development content. He made a plea to financial institutions to support European technology in the long term, which meant a complex technological message had to be communicated to the investors.

The question of closer ties between the semiconductor manufacturer and the customer was taken up by Mr Jim Hubbard, senior vice-president of Texas Instruments. He said that one of the key routes of success for the semiconductor industry was to reduce the overall cost to the customer of components. A closer relationship between the semiconductor company and the systems house would mean that the customer could cut out certain phases of test and quality control, and so cut down the cost of the components in the final product.

Mr Jean-Claude Peterschmitt, vice-president and chairman Europe of the Digital Equipment Corporation, said the most important factor in guaranteeing the success of an electronics company was the company culture. Electronics companies were templates for future company evolution as they were first to use the tools and equipment that would later be offered to the marketplace.

Dr Hans Gissel, a member of the AEG board, also emphasised the need for European co-operation, and said that if the European Community remained divided in telecommunications, then the gap between European communications companies and US and Japanese concerns would "widen beyond reach".

Mr Alain Gomez, chairman and chief executive officer of Thomson SA, said European electronics companies had to address the US market because it represented nearly half of the $440bn world market for electronics. US acceptance would mean world recognition for companies. It was the best training ground for management because the competition was the hardest.

The best way to enter the market was to be flexible but a fragmented European market was no real basis for expansion into the US.

Sir Michael Butler, former UK representative to the European Community and adviser to IDL, said that reciprocity between Europe and the US was the key to the electronics industry. If the electronics industry could not find ways of transcending national differences then the world would be "a lot poorer."

Mr Douglas Dunn, managing director of Plessey Semiconductors, said more then ever silicon was determining the national and industrial wealth. He said the industrial world was being driven to a state of "silicon shock" and only those companies that had prepared for it would flourish.

Mr Elserino Piol, Olivetti's vice-president for strategy and development, said it was possible for European electronics companies to become players in the US market, but it needed long-term commitment and local manufacture.

Sainsburys in dividend gift

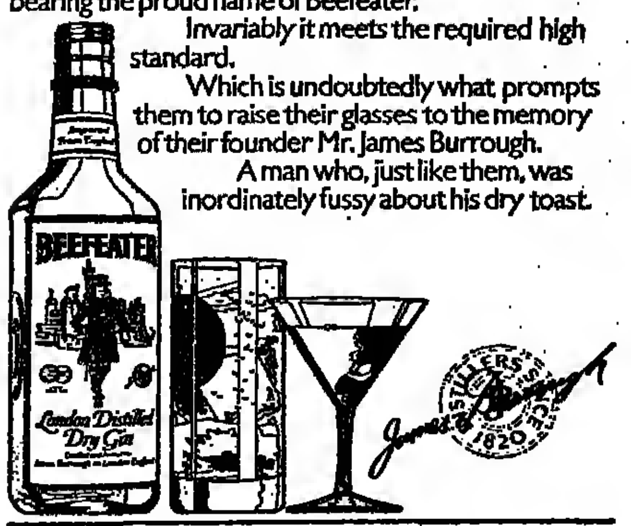
By David Churchill

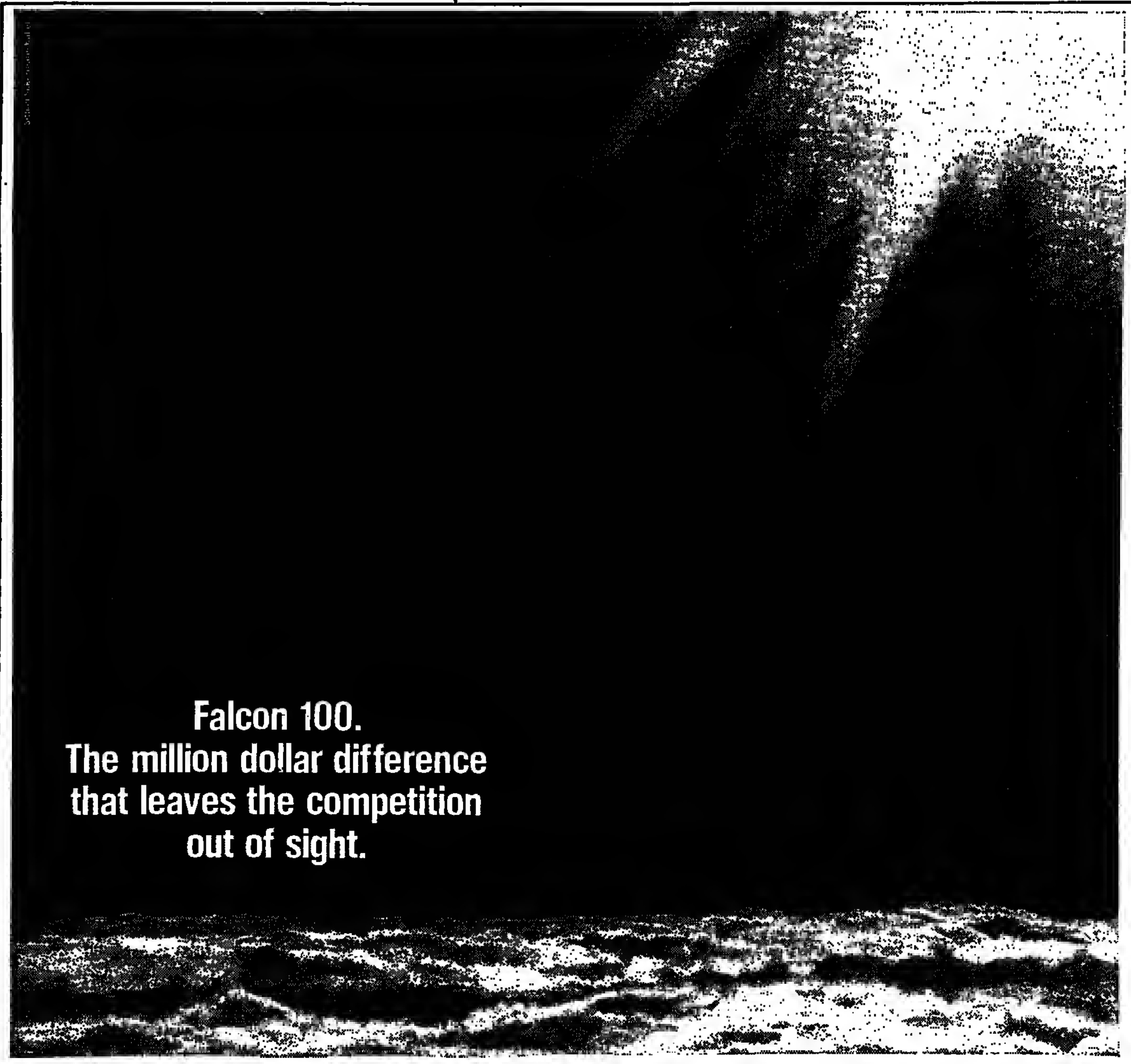
THE TWO Sainsburys on the board of J. Sainsbury, Britain's biggest supermarket chain, have revealed for the first time that their latest dividends from the company – totalling several million pounds – are to be donated to charity.

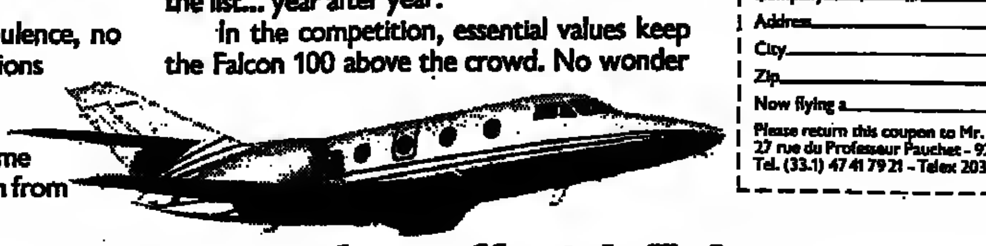
Sir John Sainsbury and his cousin David, respectively chairman and finance director of Sainsbury, have decided to make public their donations in a footnote to the company's latest report and accounts.

The exact size of the donations is not revealed and is difficult to calculate because the beneficial shareholdings of the two directors include trusts which benefit their wives and families, who are keeping their dividends. But the combined dividends are likely to be at least several millions and are in addition to the Sainsbury family trusts, which have assets of about £250m and are the largest charitable trusts in the UK.

The extra money is likely to be used to support the work of these trusts, which this year includes several large job-creation schemes as part of Industry Year.







UK NEWS

British Steel's rivals in Europe 'gain by scale of indirect aid'

FINANCIAL TIMES REPORTER

INDIRECT SUBSIDIES paid by European governments to their steel industries are larger than those paid to the British Steel Corporation and form a significant element in those industries' marginal profits.

This is one of the conclusions of a National Economic Development Council (NEDC) report into the UK steel industry and its relations with its European competitors, which shows BSC suffering some competitive disadvantages.

Indirect aid reduces steel industry costs in the UK by about £1 per tonne, but in France, West Germany and Italy subsidies reduce industry costs by between £6 and £8.

These look small figures when set against total steelmaking costs of more than £300 a tonne but the report says they are significant because profitable European steel companies are making on average only about £5 per tonne profit.

In Germany, the total value of indirect aid is estimated at £244m – £170m in transport and £74m for labour schemes. For France, the total figure is put at £130m (£94m transport) and in Italy £123m (£75m transport).

For the UK, however, total industrial aid is estimated at just £14m (£2m for transport and £12m in labour schemes). The value of indirect aid is greater to the basic oxygen producers than to electric arc producers, the report says because the cost structures of companies using the two types of processes differ.

European basic oxygen producers receive about 10 times the amount of aid received by similar processes in the UK and between four and nine times more when electric arc producers are compared.

The report does not examine the impact of energy pricing but underlines the concern expressed by the UK steel industry at the "re-emerging divergence" of UK energy prices from those of its European competitors. Energy costs account for 25-30 per cent of production costs in a basic-oxygen plant and 20-25 per cent in an electric steel plant.

Soviets 'cannot exploit' leaks of high-technology secrets

FINANCIAL TIMES REPORTER

THE WEST should not worry about leaks of high-technology secrets to the Soviet Union because its bureaucracy found it difficult to copy and use, a leading military communications specialist said yesterday.

The Soviet Union cannot even produce enough electric cable to meet its targets, according to Mr Bob Raggett, editor of the latest edition of Jane's Military Communications, published yesterday.

He said a computer system based on technology taken from an IBM 360 series machine and intended to link ministries in all communist countries was still not in service after 16 years because nobody in the bureaucracy gave much attention to the need for telephone lines to link them.

"Gearing production for relatively basic technology appears to present major problems," said Mr Raggett. Soviet military radios used little modern technology and were still in the age of valves and transistors.

Soviet tank battalions communicated on only one radio network, with individual tanks communicating by hand signals or flares. By contrast, he said, a US tank company had four internal radio networks with a fifth linking it to the battalion.

Mr Raggett said: "The message from these examples is clearly that the West should not get too hysterical about high-technology leakages, but should concentrate on maintaining and more effectively using the technology lead it has."

US attitudes on keeping advanced technology to itself were having the effect of cutting the free flow of technology among the Nato allies, which would only serve to weaken the alliance's long-term command communication and control capability, he claimed.

Retail credit shows sharp rise

BY WALTER ELLIS

NEARLY £2.8bn of retail credit was advanced in April in the UK, an increase of £500m on the total for March and a figure in excess even of the traditionally high, post-Christmas outlay for January.

Credit card advances accounted for £1.1bn – almost 40 per cent of the total. The increase on the March figure of £839m was said by the Department of Trade and Industry partly to reflect the fact that the Easter weekend fell early this year, so that certain March credits advanced were not registered until April 1.

However, since statistics on credit card business have been kept only since January, no seasonal adjustment has been possible in this sector and the adjustment overall is therefore only partial.

Lending by finance houses and other specialist credit institutions came to £1.26m in April, against £993m in March. Of this total, £930m was advanced to consumers and £330m to businesses. Retailers advanced new credit worth £407m – an increase of £29m on March.

Total credit outstanding rose by £294m over the March total to stand at just over £22bn.

Retail sales for April have been confirmed as having risen by 8 per cent over the same month in 1985. So far this year, the value of sales has been 6½ per cent up on the first four months of last year.

The volume index for April, seasonally adjusted, now stands at 119.3.

Investigation into faulty components at N-plant

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board (CEGB) is carrying out an inquiry to find out why the wrong kind of steel was used for some small components in the gas cooling system at its troubled Dungeness B nuclear power station in Kent.

It said washers about the size of a 10p coin had corroded because they were made of mild steel instead of the stainless steel specified during construction.

The corroded washers are on bolts which hold together two parts of a component, called a "gag", which controls the flow of CO_2 gas to cool the 408 uranium fuel elements inside the reactor.

The CEGB, which is "considering the implications of the discovery," said there was no risk of a radiation leak and the reactor was not being shut down during its inquiries. Dungeness B, which came into operation three years ago, 15 years behind schedule, consists of two reactors with a design output of 600MW of electricity.

The reactor in which the latest fault was detected is at present operating at half power. The other is undergoing maintenance. Gas at high pressure and temperatures of more than 600 degrees centigrade, flows past the washers and caused several to turn to powder, the CEGB said. Six bolts are used in each assembly, although one is sufficient to hold it together. The others are a safety precaution. Only two bolts failed in all the units checked so far.

TECHNOLOGY

Magnets take attraction out of shoplifting

Paul Taylor, in New York, looks at a new generation of security systems in the battle to protect retailers from theft.

SHOPLIFTERS cost the world's retailers an estimated $50bn a year in stolen goods, with about half the losses being incurred in the US. One industry, however, has been making the most of this particular ill wind—that of electronic theft detection, which uses radio frequency, electromagnetic and now micromagnetic technologies to trigger alarms should anyone try to take goods from a store without paying.

Dubbed EAS (electronic article surveillance), worldwide sales of such systems total some $200m annually and are growing at a compound rate of about 20 to 25 per cent a year. Nevertheless, EAS systems are still only scratching at the surface of what some US analysts believe could be a $3bn a year market.

This makes for what looks like being a highly profitable future for a new generation of EAS systems—one where, unlike those using the now familiar usually white plastic tags as a target for security beams at a stores exit, a small "target" thread can actually be built into goods.

Called the Micromagnetic (mm) Chameleon, the system has been developed by Knogo Corporation of the US. Based in Hicksville, New York, Knogo ranks second in the world marketplace for EAS systems, sandwiched between Sensormatic Electronics, the market leader, and third-placed Checpoint Systems.

Knogo has already seen its sales triple in the last five years, while last year alone its profits jumped by 37 per cent to $5.8m. Its president, Arthur Minasy, a former partner in the Booze's (Allen, Hamilton management consultancy, founded Knogo in a Long Island garage 20 years ago. It was he who developed the radio frequency (RF) technology around which much of today's EAS industry has been developed.

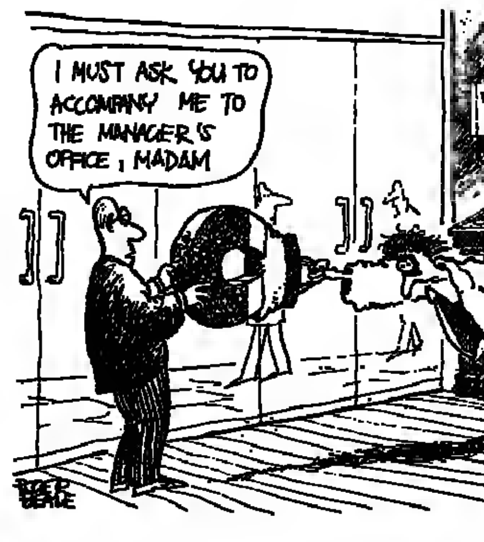
To date RF systems—which use low-frequency radio signals to identify plastic-covered hard tag "targets" attached to soft goods such as clothes—and microwave VHF systems have dominated the EAS industry. Such systems accomplish accurate "fool proof" detection using store equipment, usually located at the doors. This "sweeps" the target about 1,000 times. Unless at least 30 of the radar-like responses are identical and in sequence the alarm is not sounded.

RF systems are effective, but they have a number of drawbacks. First, although the "target" size has been reduced by about a third since their inception, to around two inches, they are still bulky. Second, RF systems are not suitable for attaching to hard goods such as books or records. Finally, and most importantly, although the target tag pins are reusable, they are relatively expensive to produce, attach and detatch.

One partial solution to the problem of size and application was overcome with the second generation of EAS systems using electromagnetic (EM) targets. Typically these are four inch long by ¼ of an inch wide magnetic strip ribbons that can be stuck into books and other hard goods. However EM targets are relatively expensive —costing five or six cents each and five or six cents in labour costs to attach.

"What was needed was a disposable throw-away target," says Mr Minasy. Last autumn Knogo unveiled what it believes is the answer, its Chameleon system which utilises a disposable hair-thin target incorporated directly into or attached to the packaging of the goods themselves.

The key to the "electro-thread" Chameleon system is a 2½ inch magnetic thread of soft and hard magnetic materials. These give the thread a unique "magnetic fingerprint," which unless deactivated before leaving the store can be picked up by detector equipment.



"Micromagnetics is our response to the desire of the industry to have the 'penny' disposable target," says Mr Minasy, who believes the system could revolutionise retailing security. Among the key advantages Knogo claims for its Chameleon system is its low cost, reliability and adaptability. For example it can be built into a produce, hidden in a bar code, inserted in packaging or form part of a price label which has to be fixed to (and removed from) store goods anyway.

Among its potential applications, manufacturers, like shoemakers, can incorporate the thread within their products. Using controlled magnetic fields the thread can be activated at the manufacturing level when shipments are sent out to customers.

The thread can also be inserted into hard tags—providing compatibility with RF soft goods EAS systems. While the Chameleon system has obvious attractions for high-value hard goods retailers, Mr Minasy also sees the low cost of the thread allowing supermarket owners, to "target" every can of peas once a month for example—an effective shock deterrent to would-be shoplifters.

He believes the aptly named Chameleon gives his company —which has manufacturing plants in the US, Puerto Rico and in Mons, Belgium, and does over two thirds of its business in Europe—an edge in the EAS technology race. While RF systems accounted for 82 per cent of the groups revenues last year he expects the percentage to drop to around 75 per cent this year as the micromagnetics system takes off. Nevertheless, he believes RF systems will always have a role to play in the industry.

Kodak puts filmless camera into firing line

BY GEOFFREY CHARLISH

KODAK HAS developed a black and white electronic camera for industrial applications with an information gathering ability claimed to be some six times greater than similar, currently available systems.

The camera, called Megaplus, can take pictures at about 10 frames a second and uses no film nr conventional TV picture tube. It has a matrix of 1.4m tiny light sensitive elements on a "chip" measuring only 9 x 7mm.

When the picture image is focused on the chip surface, each picture element or "pixel" registers the light level at that point and generates a small, corresponding electric charge. The chip uses charged-coupled device (CCD) technology which means that the 1.4m electric charges representing the image can be read out of each horizontal line in turn, amplified and stored in an electronic memory. At any time, they can be retrieved from the memory and used to build up a picture line by line in a fraction of a second on a television monitor.

The fact that each picture element is stored individually means that each can be accessed and processed to give particular effects. For example, blurred edges can be sharpened by turning grey levels above and below a certain density into white and black respectively.

Such processing is usually essential in machine vision applications where objects, on a production line for example, must be positively examined for faults. After image enhancement, the associated computer can more readily say if the fault is there or not.

Some cameras used in industrial automation use a line scan camera, basically a line of the small light sensitive devices (photodiodes) moved at right angles to itself across the field of view, scanning one line at a time as it goes.

"Frame at a time" cameras are faster and although an ordinary TV camera can produce similar results, the CCD systems are much more compact and robust and do not need high voltages for operation.

Kodak has scored by greatly increasing picture definition. Apart from reducing their size, the company has crammed in more pixels by reducing the isolation space between them and making them square rather than rectangular.

Megaplus will be used where measurements on images have to be made in instrumentation, and on production lines where, by using a wider angle lens, larger fields of view can be accommodated for recognition and placing of objects in automation systems—without losing too much accuracy.

The camera will be sold by Kodak's Videk division but availability and price have yet to be announced.

Although Kodak refuses to comment at the moment, the CCD development, which came out of the Eastman Kodak research laboratories in the US, could eventually be the basis of a no-film consumer product camera of the kind announced several years ago by Sony and Panasonic. These store the images on a small magnetic disk.

Such cameras do away with film and developing. Each time the shutter is clicked, the image is stored in the camera's memory. When the user gets home, he or she plugs the unit into the back of a TV set and can immediately view the pictures.

British industry grasps opportunity to get message across

FILM AND VIDEO

by John Chittock

BRITISH industry is making increasing use of video as an information medium, distributing programmes by the thousands as the trendy way to communicate with customers, shareholders, trades union members, employees, and even chief executives who are at risk of being interviewed on television programmes like Panorama.

The tradition of using moving pictures as a medium of industrial communication is almost as old as film itself. But the arrival of video—slashing the cost of large copy runs and making half of the population accessible—has now elevated the medium to a major commercial activity.

The conventional uses of video by industry are well-known enough, such as the regular company magazine programme for employees; training; marketing; and other activities where good communication is needed. The medium has even spawned new, clumsy names such as "corporate video"

Eyes have been opened a little wider in recent times, however, as an increasing number of companies have used video as a weapon—occasionally to devastating effect—in takeover battles. Burtons, Guinness, STC and others have rushed out programmes to shareholders as a way of *showing how* really marvellous are their new store designs or management teams. *The latest*, from Woolworth—now under attack from Dixons —transports shareholders to some of the new-style Woolworth stores, B & Q do-it-yourself centres and Comet shops, inside which many investors may have never set foot.

Nonetheless, it is a weapon with some danger of recoil. Any sponsored film or video programme can reveal, unwittingly, more about a company's psyche than intended. In the Woolworth effort for example the management appears articulate enough but generally lacking on camera the energetic sparkle that shareholders might expect from a thriving company.

Perhaps Woolworth could have benefited from the BBC's latest foray into commercial video—Appearing on Camera, a training package of two videocassette programmes plus supporting booklet. Not only does this probe into the skills and gamesmanship of appearing on television, but as a programme which is fluent, amusing and effective it is quite an object lesson in the use of video.

It is almost a relief to find the moving picture industry practising what it preaches by using the medium to communicate its own messages. Among others setting such good examples is a leading video production company, *Infovision*, which has done a good job poking fun at cliché-riddled programmes. With its own offering, Making Video Work, it dispenses with the polished newsreader/commentator, using instead a trolley-pushing tea lady with a Brum accent.

The company which duplicated the Woolworth takeover programme — Rank Video Services —has also put its expertise into the firing line with Thanks Rank. This is the plain businessman's guide to duplicating and distributing copies of the company video — a job which Rank will take on completely, even sub-titling in a wide range of languages. Although not of the calibre of the classic Rank sales training films, it is an effective programme which also restores some faith in British willingness to offer customers service without problems. (Free copies available from 0800-282-123.)

In the wake of the latest UK postal dispute, it should be a cautionary message to the Post Office and unions that Rank, like others in the video business, are making an increasing use of Securicor and similar services to get the cassettes of clients to the audience. When takeover videocassettes are handled by Rank, they are despatched by 1st class Recorded Delivery — typical cost £1.10. Securicor charges £3, with next day delivery; but as duplicating orders swell to 100,000 copies (a real possibility), Rank believes the private sector delivery charge could fall to under £1.

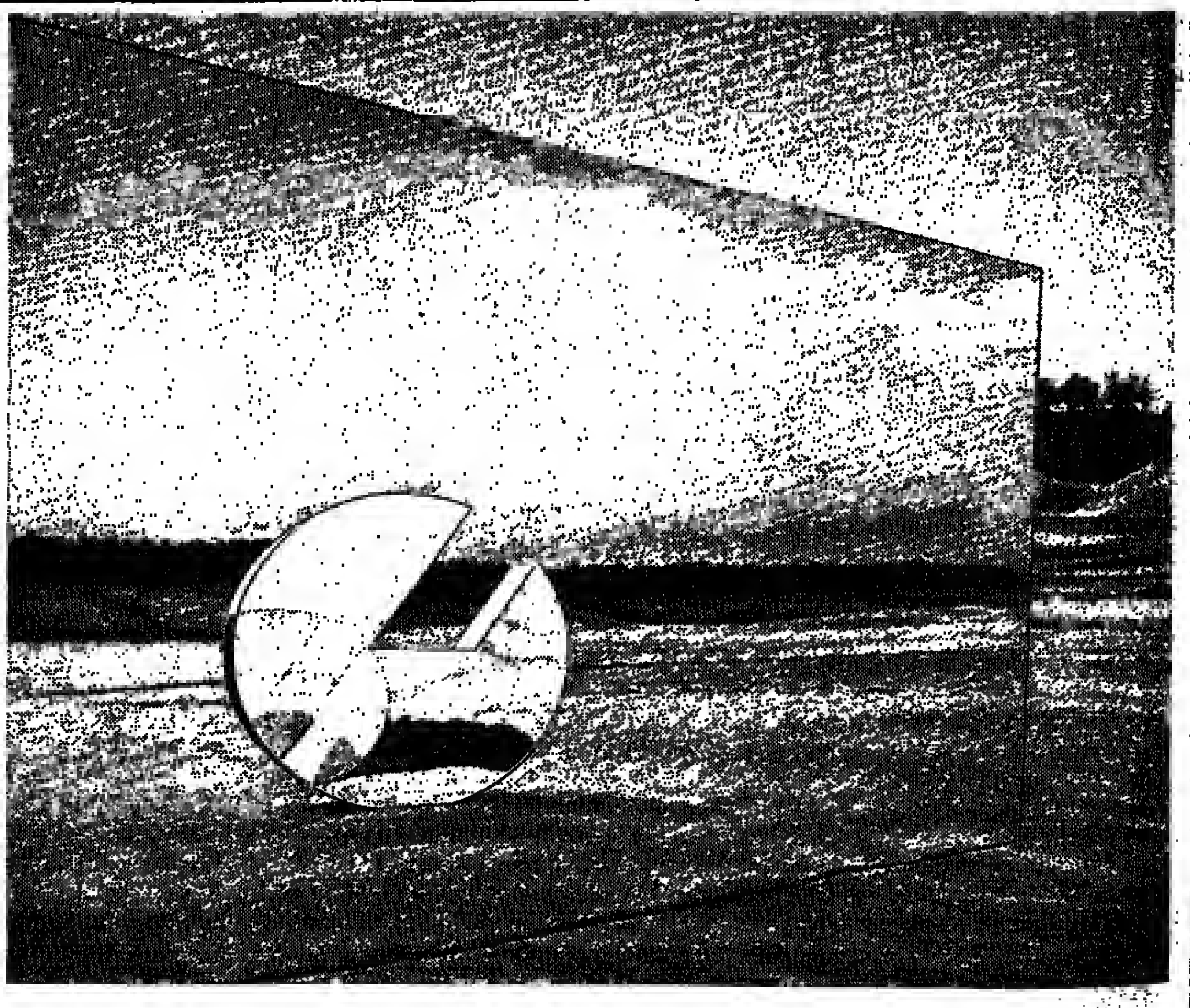
Since the duplication cost of a 30-minute videocassette on a 20,000 run may be only £2.50 a copy, it begins to make large-scale video communication an economic proposition. On a 20,000 distribution, the total cost including the original programme may be little more than £4.50 per head—comparable to some glossy, full-colour company brochures but substantially more effective.

Great Universal Stores last year took the idea a step further by booking the longest ever UK television commercial slot—on TVam—to screen a video programme aimed at its agents, who were earlier informed of the transmission and advised to record it off-air. Bad news for the video duplicating houses but a cost-effective way of distributing the programme.

With car manufacturers such as Ford launching new executive cars with the aid of free video programmes (send your business card, we'll send you a video about the new Granada), the permutations for video communications now seem endless.

Even the unions are trying to hit back. In the past, trades union films and video programmes have been at best self-conscious and at worst amateurish and bigoted. But they are getting better—exemplified by a recent programme for the four health worker unions (COHSE, GMBATU, NUPE and T & GWU). Under the title Time for Justice, it convincingly puts the case for improving the lot of low-paid workers in the National Health Service—never unduly political, it is marred only by the cliché of a "rich man" sequence in Harrods at the end.

If this programme is seen by the right people, not least in the Government, it might achieve more than any trades union negotiator, especially through its moving interviews with the poorly paid. It exemplifies what effective video communication should be about —making convincing programmes and getting them to the right audience. Not easy to achieve, but a balancing act in which one element without the other renders the whole exercise a costly waste of time.



THE ARTS

Exhibitions/William Packer

A lesson from the artist: trust the eye

The Artist's Eye, the series of exhibitions et the National Gallery in which distinguished contemporary British artists hove been invited in turn to take their pick of the collection with nothing more than practical availability as a constraint, continues this year (until August 10; with sponsorship from Shell UK) with a most lively and intriguing selection by the painter Patrick Caulfield. In the past these shows have proved to be never less than interesting, often memorable—Kitaj's, Hodgkin's and, last year, Francis Bacon's for typically various examples—and by now are so well established in the calendar as to be justified quite as much in principle as in the event. The palpable and cumulative importance of this regular exercise now extends far beyond any mere delight in fine, potent and beautiful things.

We must remeber that at the outset the very thought of allowing artists of all people the run of any serious and scholarly institution excited wide academic scepticism and disapproval, if not actual resistance, all of which prejudice has in o way been substantioted. For each time, by indiosyncratic choice and personal preocapstion, the demonstration is clearly made of certain fundamental truths concerning the nature and making of art, and the uses to which any such accumulation of great art may be put.

It is not at all that art scholarship and curatorial practice are themselves subverted, but rather that their particular priorities and assumed pre-eminence in matters of judgement, emphasis and interest, are for a moment gently teased and questioned. It is a most salutary corrective, for while we would allow the art historian his natural inclination to special study and expertise, and also his curatorial instinct, amounting even to practical necessity, to put like with like, school by school, in an ordered chronology, we cannot allow him to forget that others, with interests no less specialised and educated than his, would see, order and use his same material in a very different way.

Detail from Chardin's The Young Schoolmistress, one of the works chosen by Patrick Caulfield for his Artist's Eye exhibition at the National Gallery

Where the scholar, quite legitimately, would always seem to be more concerned with what is done, with the character and significance of particular imagery and with its identifiable sources, cross-references and influences, in short with its place in Art; the artist is more likely to be engaged by the how of it. For the freemasonry of Art as it is practised reaches out across time and culture, and he senses at once the immediate presence of his fellow. He looks instinctively to the formal tricks and devices of technique and the more general correspondences of interest, experience and sensibility that are quite free of any narrow limits of school and style.

In the normal course of his professional life, it would never occur to the ordinary art historian, or would excite much comment if it did, to hang, for example, a small early 16th century German painting, the *Landscape with Footbridge* by Altdorfer, alongside the rather larger *Avenue at Chantilly* of *Cézanne*, yet to Patrick Caulfield it was an obvious and natural thing to do. What he shows us by such simple directness is that both artists employed the same device to create a deep pictorial space, piercing the nearer and darker screen, whether of castle, bridge and rocks or just of trees, to offer a bright vignette of the distant landscape.

Such visual corridors evidently fascinate him for they occur in several of his other chosen paintings in different guises, most obviously in the two works of Pieter de Hoogh that he compares, morning and evening, the one outside and looking through the house, the other in the dark interior looking out across the bright canal. But others are more incidental or indirect: Diaz de la Pena's path across the field or Pissarro's snowy road up Norwood Hill, the fish-eye distortion of Fabritius' tiny view of Delft, the sunlit pot on the shelf behind the *Woman Scraping Parsnips* of Nicolaes Maes, or the near and far of the Velazquez kitchen scene, with Christ and Martha and Mary in the room beyond.

Caulfield has hung his 34 works by theme upon stark white walls, moving easily from landscape to still-life, and on to urban life and urbane portraiture, domestic genre, groups of figures and at last to studio interiors. St Jerome in his study by Catena is nicely set near the putative Massys of St Luke at easel, at work on his painting of the Virgin and Child, and in between is the tiny Cezanne of his studio stove.

Each short run of works offers its particular pleasures and surprises. To his great credit Caulfield has looked closely into the reserve collections hung downstairs and not one of the comparitively unfamiliar things he has thus retrieved should be further overlooked. Here are two dark and atmospheric still lifes of wine and oysters, by Jan van de Velde and Philippe Rousseau, so close in sympathy and feeling yet two centuries apart; and here, separated by that same interval are an old woman sewing, by van der Aack, and Cezanne's father reading his newspaper. The Piero di Cosimo young man in armour complements Fabritius' young man, possibly himself, in handsome self-confidence; and next come two more contrasted but sympathetic portraits, the befeathered and flamboyant Susanna Fourment by Rubens and the exquisite painterly restraint of the young boy by Van Oost.

But the most poignant group is of pairs of figures that all so variously dilate upon the theme of youth attended upon by age, the Velasquez kitchen maid with her overseer, the child watching her mother peel the parsnips by Maes, and most particularly and exquisite of them all, and for all its modest size one of the greatest paintings in the collection, Chardin's young schoolmistress with her small, attentive charge.

Caulfield's choice is as instructive as it is entertaining but not in any obvious sense, for the last thing he would do is read us a heavy lesson about his own art or art in general. The lesson is more gently put: that in trusting his eye we should trust our own.

The Dream/Covent Garden

Clement Crisp

As part of its current Ashton triple bill, the Royal Ballet has acquired new decoration for *The Dream*. David Walker, who created the clothes for the original production, has now also produced a set, a Romantically enchanting and enchanted glade of massive trees and over-arching branches, most apt for the Mendelssohnian charms of the choreography. New costuming is a revision and elaboration of his previous work — determinedly pretty (save in the rose that perches like a squaw's feather atop Helena's wig) and attuned to the Victorian graces of the staging. And 22 years after the ballet was first given, Antoinette Sibley and Anthony Dowell remain irreplaceable as Titania and Oberon, their dancing still the beau idéal of English classicism (true line, intense musicality, speed and lightness of touch its obvious features).

Mr Dowell, in magisterial form on Friday night, whipped through the accelerandos of the scherzo and its dizzying changes of impetus, the choreography ineradicably in his body. Miss Sibley continues to find emotional nuances in Titania's relationship with Oberon that are far from the conventional portrait of the Fairy Queen: she is imperious, wilful, sweetly besotted by Bottom, and in the great love duet to the Nocturne there is a passionate surrender to Oberon that gives the pas de deux a sexual frankness as pungent as anything in the same couple's duets in *Manon*. It is an extraordinary statement about love, and ravishingly set out on Friday, as Miss Sibley yielded to the dance and to Oberon.

The centre of the programme bought *Scènes de ballet*, a work which I view at each performance with continuing delight in its formal clarity as Ashton states and proves his movement theorems, and in its reduction to an intense essence of everything contained in a Mariinsky classic of the 19th century. Diluted with another ballet-master's chit-chat of steps, *Scènes* could be expanded to three hours running time, so rich its ideas. Ashton, instead, devotes himself to allusions, reductions to the essential, as processions and ballabiles take place within the space of half a minute, while soloists hint at great variations and, in the centre, the ballerina deploys in haiku form the whole experience of the Petipa dance. The piece looked taut, well-rehearsed, and Lesley Collier held our attention as the ballerina, Stephen Jefferies her cavalier. *Scènes* is one of the handful of unassailable masterpieces of our time.

Les Patineurs, which began the evening, alas did not look well-rehearsed. It lacked all the springing energies that should tell of the sheer fun of this skating party. The men seemed slack-muscled, and Simon Rice (an excellent Puck in *The Dream*) has yet to find the compact physical control for the Blue Skater. Fiona Chadwick and Wendy Ellis spun merrily as the two blue girls and Marguerite Porter and Anthony Dowson were Torvill and Dean as the white couple. But the piece needs more sparkle in the biting air amid the joys of a lantern-lit evening on a frozen pond.

On Saturday night at the Opera House, Fiona Chadwick was seen as Giselle, with Jonathan Cope her dutiful Albrecht. Everything that intelligence and a most handsome technique can do make this a Giselle worth watching. The dance is outstanding in its buoyant clarity in act one, with the mad-scene an outburst of anguished loss of happiness; the second act is opulently danced. But Miss Chadwick is ultimately a ballerina for the grandeurs of Aurore and Odette, and Giselle represents a triumph of application over temperamental inclination.

The production, with its constant parlando recitative of narrative detail does not offer the right framework for Miss Chadwick's gifts. In a bolder, simpler staging her rare and radiant dance might seem less like a swan among geese.

Anthony Dowell and Antoinette Sibley

Bartholomew Fair/Worcester

B. A. Young

Young people in more or less Elizabethan drag are wandering about The Swan, Worcester, as you get there, but when the action starts on the stage the period has been brought forward to the present century. Littlewit in ginger plus-fours, his wife Wyn elegantly pregnant in the style of the 1950s, Zeal-of-the-land Busy dressed like a Methodist minister, and the rest, assemble in what looks like a suburban semi of our own times, one of them arriving on a motor scooter. However 20 minutes or so later we are all led out of the theatre by a brass band, to reassemble in a canvas outdoor theatre on the race-course.

If some of the playing we have seen appeared less than professional, this is explained by the heading in the programme: The Swan Theatre Company and The People of Worcester are the performers and the acting is done wholly by the people. The direction is by a professional team, Luke Dixon and Paul Dart, both of whom have worked with, among others, Shared Experience; they know well how to organise a community into the presentation of a story.

So for 90 minutes, in the increasing cold, we sit on the racecourse watching the fun and the vice of St Bartholomew's Day Fair in Jonson's marvellous farce. The play is rich in good, rough jokes, which might have seemed even better if we had been able to hear the lines more reliably.

Wit was not mainly what the audience had come for, though, it seemed to me. Many had come to see their friends and their children performing and one of the pleasures of the evening was the number of children, either involved or watching or both.

Alison the seller of roast pig has a boy assistant, who turns up in the audience from time to time with a tray containing various kinds of refreshment, though never roast pig. A stall sold hot punch (strictly non-alcoholic but increasingly welcome as the evening grew colder).

I must not offer individual credits to these amateur players. My respects, however, go to Mssrs Dixon and Dart, for a very entertaining evening and to Citicorp/Citibank whose sponsorship enabled the affair to take place, which it will continue to do until Saturday.

RSC to stage première of new Pam Gems play

The Royal Shakespeare Company is to premiere Pam Gems' new play, *The Danton Affair*, at the Barbican Theatre, opening on July 15.

The cast will include Ian McDiarmid. The play will be directed by Ron Daniels.

Bath Festival

Paul Driver

A Saturday morning recital at the Guildhall by the Quatuor Via Nova, their second of two appearances at the Bath Festival comprised works by Mozart — K.428 in E flat, lukewarmly done, with faltering intonation and a too-early-in-the morning feel; Beethoven — his Op 59 No 3, more impressive; and Henri Dutilleux's *Ainsi la nuit* (1976), for which they made a most articulate case.

This is a score whose meticulous, super-confident craftsmanship seems almost a moral virtue: a reproach to music less conscientiously notated, less sure-footed, less sure-firing, and French, but no doubt gutsier. It is a single movement in seven neatly considered sections; the nocturnal reference is deliberately vague and poetic — the work is only faintly programmatic. There is a nice attempt at the end to depict by means of "clockwork movement" against a "background of harmonics like distant bells" the "congealing" of time (the composer's own phrases). But it remains an intention rather than a secured image. Though much of the invention is fascinating and colourful, the work struck me overall as like a Berg quartet with its emotions, its messy substance, cleaned up; sanitised and aesthetic music. Comparisons are always odious, but to rediscover quartet writing at Berg's creative voltage we must surely look these days to Alfred Shnittke.

I have heard Peter Donohoe give a more searing, and more inwardly felt, rendition of Prokofiev's sixth piano sonata than the nevertheless virtuosic account included in his solo recital at the Guildhall on Saturday night; and I am sure he has on other occasions attuned himself more convincingly to the mood and requirements of Debussy pieces (he began with *Masques*, *D'une cahier d'esquisses* and *L'isle joyeuse*; an encore was *Jeux d'eaux*), found in them greater scope for limpid utterance and elusive suggestion, than in these exclusively hard-hitting and literal-minded performances. If at best, here and elsewhere (such as in Rachmaninov's grandiloquent D flat prelude), his hardness of sound was gem-like, at worst it was merely clangorous.

Donohoe rightly concentrated his considerable interpretive, and astonishing digital, abilities on the new work of the occasion: Nicholas Maw's *Personae IV, V and VI*, the continuation, commissioned by the festival (with funds from South West Arts), of an ongoing series, the first three of which Donohoe already performs (and perhaps should have done so on Saturday).

The idea behind the pieces is to rediscover "the old," ie, 19th-century pianism; to re-enact romantic gestures in a post-Stockhausen pianistic context, by-passing "the piano writing of a great deal of the music of the past 30 years," and paying renewed, loving attention to the "physical characteristics" of performance—touch, the feel of chords under the fingers, legato style, lyrical expression, and so on. Maw succeeds brilliantly in his aim. Never seeming anachronistic or reactionary, the pieces caress, ravish, astound and seriously engage the ear.

They are far harder to play than the biggest Rachmaninov preludes, and certainly demand a working knowledge of the post-war techniques they disdain. The second, most immediately impressive piece — an intentionally Prokofiev-like scherzo marked *Allegro inquieto* —climaxes in a forearm cluster and contains a thrilling passage of very fast, widely spaced, "pointillistic" writing. Maw's pointillism and cluster-harmony not only "tell" but are all the more expressive for their ambiguity of context. The first piece (*Moderato mosso*) is a supple, flowing study in legato, full of Brahmsian accompanimental figures and with a certain Brahmsian equipoise. The third—highly decorative, marked *Andante tranquillo*, and "a kind of lyrical continuum of placid motion"—seemed rather diffuse on first hearing, but did not fail to convey compositional mastery and delight.

Manchester theatre

Martin Hoyle

Manchester's Royal Exchange Theatre Company continues to illuminate the naughty theatrical world with its good deeds in presenting new work. Following the successful production of *Mumbo-Jumbo*, the prizewinner in the Mobil Playwriting Competition, the company launches into three weeks shared in repertoire between a Mobil runner-up and the premiere of a play commissioned two years ago from a writer still only 25.

The two pieces have in common an eagerness to exploit great issues from which, it must be admitted, they then retreat without making much impact, after some vigorous shadow-boxing.

Behind Heaven is Jonathan Moore's flailing swipe at—well, all the current boo-words: public schools, Oxford and Cambridge, the police and what he vaguely calls The City without being too specific.

The lights go up on the fashionable squalor (designer: Laurie Dennett) chez a rock musician the burden of whose twanging lay is "I hate—you hate—we hate—they hate." His and his girl-friend are voluble and sarcastic as they tell each other what they already know. Their crippled landlord (symbolism!) trundles in; James Maxwell at his most sinisterly silky is soon purring about the Wall of China and Wagner. He epitomises a neo-fascist disregard for expendable human life. His manservant, given to communicating in sensational headlines, is a corrupt ex-policeman. Something nasty is buried in the garden where the tenants seem bound to join it. The programme credits Tod Cody with "whip instruction." Not since a Bristol programme for *'Tis Pity She's a Whore* thanked Dewhurst's for a sheep's heart has anticipation raced so agreeably ahead.

In the event, the writing undercuts its own menace. Instruments of torture include bullwhip, thumbscrews, meat-cleaver and Mantovani records. The fantasy element (beware characters called Moon, Speed and Glass) moves from Pinter to Orton as an, amnesiac policeman does a strip and spends the second act in what looks like an Emanuel wedding-dress. The bent cops go into business together. The fascist principle is left gnashing in its wheelchair, its smuggled heroin left improbably intact by our young hero who now rewrites his song as "I love—you love." philanthropy the unlikely outcome of being bound, slashed and threatened with an electric drill.

This angry play with much to say is diffuse, unfocused and ultimately evasive. Politically crude, its humour arch, the work belongs to a smaller, experimental stage—perhaps the Corn Exchange which the company has long coveted as a second auditorium. Gregory Hersov's direction evokes particularly fine playing from Sharon Cheyne (the girl) and Robert Gwilym as the transvestite policeman. The musician is played by the author.

Pruned, the play might make half an effective double bill with the Mobil-commended *The Act* since this work's 80-minute running-time could be considerably tightened-up; or alternatively expanded to fill its anecdotal outline with more substantial characters. In 1943 two German clowns arrive at a mysterious location to entertain unspecified VIPs. Hansen is clumsy, good-natured, not too bright. Frink is edgy and preoccupied. It emerges that he is a Jew with forged papers, living on his nerves and his friend's loyal protection.

It transpires that they are in a concentration camp. They are suddenly ordered to perform a play by an SS captain with literary leanings: a trial of God in which Frink is cast as the Reich prosecutor calling such witnesses as artists and scientists to testify to Jewish inferiority. Frink's ultimate confession and his friend's steadfastness condemn them both. We leave them awaiting their fate in prayer—an echo of the desperate Jews who have found God guilty and resumed praying.

The agony of a clandestine Jew forced to voice Nazi obscenities to the condemned should make for stomach-churning theatre; but having created a harrowing situation, the author Richard Langridge does nothing with it. The young captain's tortured conscience is touched on in a couple of lines to little effect, and no sign of Frink's years of anguish is detected in David Horovitch's lacklustre and glum performance. Jonathan Hackett's amiable Hansen has nothing to act against. The play could be stylised: shorter, sharper, shocking; or the characters could be given more background. At present the impression remains than neither writer nor director (*Casper Wrede*) is certain how to treat a hideous vision.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 6-12

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Fidelio, stars Gwyneth Jones, Barbara Vogel, René Kollo and Viktor von Halem. La Gioconda is a Philippe Sanjust production. Lucia di Lammermoor has Angela Denning and William Murray. (34 381).

Hamburg, Staatsoper: Boris Godunov, in a concert version has Gabriele Fontana, Rachel Joselson, Walter Raffeiner and Kurt Moll. Handel's Belsazar brings Helen Donath, Walter Raffeiner and Harald Stamm together. La Clemenza di Tito with Gabriele Fontana, Tatiana Troyanos, Hermann Winkler and Harald Stamm. Otello with Maria Chiara, Olive Fredricks and Wladimir Atlantow. (35 11 51).

Frankfurt, Opera: La Bohème, sung in Italian, has Yoko Watanabe as Mimì and Giacomo Aragall as Rodolfo. Dido and Aeneas has fine interpretations by Glenys Linos and Valentin Jar. Die Walküre includes Caterina Ligendza, Helena Doese, Wolfgang Probst and Manfred Schenk. Also Orpheus in der Unterwelt and Fidelio. The latter has Lisbeth Balslev outstanding as Leonore. (25 621).

Cologne, Opera: Cendrillon has Ann Murray excelling in the title role. Der Freischütz features Nadine Secunde and Thomas Tomaschke.

LONDON

Royal Opera, Covent Garden: Only the revival of Eugene Onegin, conducted by Colin Davis with Ileana Cotrubas, Neil Rosenshein and Thomas Allen; breaks the monopoly of ballet on the week. (240 1066).

English National Opera, Coliseum: Harrison Birtwistle's The Mask of Orpheus, the most important new opera in London for many years, shares the week with Die Fledermaus and Mary Stuart, in which Jane Eaglen takes on Rosalind Plowright in the opera's central confrontation (836 3161).

Sadler's Wells, Rosebery Avenue: Ballet Rambert opens its 60th anniversary season on Thursday. (278 8916).

PARIS

Ballet Cullberg, combines the inheritance of German Expressionism with American modern dance. Théâtre de la Ville (42742277).

Mozart Festival: Così fan tutte is coproduced by the Orchestre de Paris, Washington Opera and the Théâtre des Champs-Elysées, conducted by Daniel Barenboim, Orchestre de Paris chör conducted by Arthur Oldham in Jean-Pierre Ponnelle's production at the Théâtre des Champs-Elysées (4723 4777).

ITALY

Turin, Teatro Regio: Il Gallo d'Oro by Rimsky-Korsakov, translated into Italian by Giovanni Buttafava and conducted by Will Humburg. The opera is directed by Ugo Gregoretti. The cast includes Luciana Serra (alternating with Maria Angeles Peters). (548 000).

Genoa, Teatro Margherita: La Bohème conducted by Rico Saccano and directed by Giancarlo Menotti. The cast includes Luciano Pavarotti and Fiamma Izzo d'Amico. (589 329).

Florence, (Maggio Musicale Fiorentino), Teatro Comunale: Mastersingers conducted by Zubin Mehta and directed by Michael Hampe, with scenery and costumes by Reinhard Heinrich and John Gunter. In the cast are Lucia Popp, Gary Lakes, Hermann Prey, Bernd Weikl and Peter Wimberger, with the Maggio Musicale Fiorentino Orchestra and Choir. (277 9236).

NETHERLANDS

Amsterdam, Carré. Wagner's Die Meistersinger from the Netherlands Opera and the English National Opera directed by Elijah Moshinsky and designed by Timothy O'Brien, with the Concertgebouw Orchestra conducted by Edo de Waart. Soloists William Johns, Kathryn Bouleyn, Jard van Nes, Norman Bailey (Wed). (225 225).

Amsterdam, Mickery Theatre. Bartok/Aantekeningen choreographed by Anne Teresa de Keersmaeker of Brussels (Tue to Thur). (236 777).

VIENNA

Staatsoper: La Traviata conducted by Kleiber with Gruberova, Sima, Hirtenstein; I Capuleti e i Montecchi; La Gioconda conducted by Fischer; Die Walküre conducted by Schwarz with Leonie Rysanek, Jones, Fassbaender, Lotte Rysanek. (53 24/26 55).

Volksoper: Madame Pompadour conducted by Bibl; The Barber of Seville conducted by Richter; Das Land des Lächelns conducted by Bauer-Theussl. (53 24/26 57).

SPAIN

Madrid, Donizetti's Il Campanello with Paloma Perez Inigo, Enrico Serra and Carlos Chausson and Leoncavallo's I Pagliacci starring tenor José Carreras, Ilona Tokodi and Leo Nucci at Teatro de la Zarzuela, Jovellanos 4. (429 82 16).

Barcelona, Les Contes d'Hoffmann. Delightful and romantic opera will have Alfredo Kraus in the title role together with new Spanish soprano revelation Enedina Lloris. Gran Teatre del Liceu, Sant Pau 1. (318 92 77).

NEW YORK

New York City Ballet (New York State). Lincoln Center. (870 5570).

American Ballet Theatre (Opera House): Mikhail Baryshnikov brings his company to its two-month spring season with four new works choreographed by Kenneth MacMillan, John Taras, David Gordon and Karole Armitage, which join the repertory that includes The Nutcracker, Don Quixote, Giselle and La Bayadere. Ends July 3. (362 6000).

Martha Graham Dance Company (City Center): 60th anniversary season includes two world premieres, six revivals (among them a 1926 solo from the company's first New York season in 1926) and seven Graham classics. Ends June 15. 55th E. of 7th Av. (246 8989).

TOKYO

Maiya Plisetskaya and Soviet Ballet Stars in a programme of favourites from classical ballet repertoire. Tokyo Bunka Kaikan. (Mon, Tue, Wed, Thur). (319 2456; 311 1251).

Edith Mathis (soprano): Beethoven, Brahms, Richard Strauss song recital. Tokyo Bunka Kaikan Recital Hall. (Thur). (571 1689).

Saleroom/Susan Moore

Pick of the porcelain

It is not often that a porcelain collection realises £699,783. Dr Marcel Nyffeler's 18th-century German porcelain sold at Christie's yesterday typified post-war collecting. A leading light in Zurich porcelain circles in the '50s, the late Dr Nyffeler bought mainly Meissen — fashionable *Commedia dell'Arte* figures predominate — and valued rarity and the original quality of a piece above its condition.

Included were such considerable rarities as the Meissen madonna and child modelled by J. J. Kändler, which sold to Rohbig of München for the top price of £45,360. Kändler's figure of Harlequin alarmed went to a private continental collector for £41,040 (estimate £20-£25,000), while his superbly decorated Harlequin peeping under a lady's skirt made £23,760. The National Museum of Wales paid £17,280 for a Böttger octagonal stoneware teapot of around 1715.

Record prices were achieved for Höchst and Vienna figures. One of the earliest Höchst groups, a Chinoiserie five-figure piece complete with a palm tree and climbing monkey, almost tripled its estimate by selling to Rohbig for £28,080. A Vienna pair of Harlequin and Columbine did likewise, and was sold to the same dealer for £30,240; 19 per cent was bought in. The last comparable disposal of a porcelain collection totalled just over £1 million in 1977.

Another Munich dealer, Frau D. Rudigier, paid £23,100 at Sotheby's yesterday for a 17th-century jewelled enamel pendent comfit box conservatively estimated at £6-8,000. At their Japanese sale an elaborate Namban lacquer Christian portable shrine of the Momoyama period (late 16th century) made a disappointing £43,200, well under the lower estimate. Described as "displaying Portuguese, Indian and Japanese design styles so distinctively that it could be considered definitive," the shrine was, unusually, built to house a religious statuette rather than a painting. A pair of ormolu-mounted Kakiemon hexagonal jars sold for £37,800 to Japanese dealer Yoshiro Imura. The sale totalled £338,040 with 13 per cent unsold.

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Austria after the election

THE ELECTION of Dr Kurt Waldheim to the Austrian Presidency, for some time a foregone conclusion, has caused damage on two fronts. First, the size of his victory over his Socialist rival has underlined the low standing of the ruling Socialist Government and precipitated the resignation of the Chancellor, Dr Fred Sinowatz. More seriously, the campaign and the result have tarnished the reputation of Austria, and in retrospect even that of the UN of which Dr Waldheim was once Secretary-General. But the case need not be blown up unduly.

Two facts should be kept in mind. First, in spite of all the allegations and innuendo produced in the past few weeks, there is no conclusive evidence that Dr Waldheim had personally committed or ordered criminal acts. Those who have convinced themselves that such evidence has been submitted simply refuse to allow for the intolerable pressures upon anyone caught in the machinery of a totalitarian state. There was no discreet opting out from the Wehrmacht. Of course, if ever really damaging evidence turns up the situation would fundamentally change.

Injured innocence

Second, Dr Waldheim and his friends are guilty of self-deception in their handling of the affair. The candidate kept repeating with an air of injured innocence that in the Third Reich he did no more than his duty. He may have had little freedom of choice, but he has no right to pride himself on having done as he was told.

If Dr Waldheim were now to pause and to ask himself precisely what kind of regime he had served during the war—and if he were to share that knowledge with Austria and the world — some good might yet come from the whole affair.

His speech during the campaign, in which he described the fate of Jewry in Nazi Germany and Austria could just prove the beginning. But any attempt to suggest that Dr Waldheim had to campaign against a Jewish cabal would be deeply repugnant and would stir up forces best left at rest.

However, a touch of philo-semitism to balance the anti-semitism never far from the surface in many countries is not enough. Austrian presidents are not supposed to run the country — that is left to the Chancellor. Instead, the President is intended to ensure that political rules and political morality are observed. He is supposed to build bridges of reconciliation.

An urgent task awaits him here if he can rise to the challenge, rather than perpetuating the bitterness that has been growing among the Socialists and Conservatives for many months. Austria, like Switzerland, has a firm post-war tradition of social and political consensus. Industrial disputes are avoided by mutual consent between labour and management. The politicians of the chief parties search for the middle ground of consensus even at times when they are swapping bitter epithets.

It was not always thus. In 1934 Austria suffered two civil wars, between conservatives and Socialists, and between Conservatives and Nazis. These ware cleared the way for the Nazi annexation of 1938.

Paradoxical decision

The Austria of the 1980s is far removed from that of the 1930s but political argument had become increasingly heated long before the Waldheim affair and there has been a series of unsavoury scandals, which have contributed to the decline in the Socialists' popularity. They have tended to equate consensus with a refusal to adapt to economic and social change and with their own party advantage; the conservatives have not always preserved a sense of proportion in their anxiety to hit at the Government.

Both parties have looked upon the consensual system as a fertile source of jobs for the boys. There is much there in need of repair.

By its very success, consensus has tended to encourage immobilism. Nothing could demonstrate this more clearly than the paradoxical decision to scrap the country's first and only nuclear power station. Both major parties wanted the station, a majority of voters was willing to reverse a referendum that had gone against the station almost 10 years ago. But the parties never could find a way to do so, for fear of giving away political points to each other. Yet at the grass-roots there remains a strong national undertow of consensus, social as well as political. There also is a strong hankering after moderation.

If Dr Waldheim is serious in his intention to level the barriers that have been thrown up between the political camps then he has been given his chance. Even at this late hour he should display full candour about his past and demand the same of the people. The ghosts of the past will not be laid without a display of full honesty.

BIS: only too representative

INTERNATIONAL organisations always have a difficult time commenting on policy issues: since they feel bound to say something, but are afraid of giving offence to their own members, they usually confine themselves to veiled hints, concealed, like the coins in a British Christmas pudding, in a heavy dough of conventional wisdom. Their task becomes even more difficult when their members are in any case at loggerheads; their attempts to see merit on both sides can reduce even the conventional wisdom to a set of self-contradictions. The annual report of the Bank for International Settlements, published yesterday, offers a case study.

There is at present a major argument going on between the US, Germany and Japan about fiscal policy. The Americans argue that both to assist the process of balance of payments adjustment and to sustain the growth of world demand, the major surplus countries should do something to offset American efforts to reduce their own budget deficit. The surplus countries retort that borrowing and deficits are excessive in all countries, as evidenced by high real interest rates, and that their response should be limited to applauding the Americans for seeing the light.

Crucial point

The BIS, drawing on the collective wisdom of the world's central banks, might be expected to have something useful to say about the causes and effects of high real interest rates, which is really the crucial point at issue here. Instead, it seeks to avoid taking sides by arguing that there is something unique about the US. Others might wish to respond to Mr Baker's promptings, but dare not, for fear of inflation and exchange rate crises.

This is tact pushed past the limits of the absurd, for it is simply ludicrous to suggest that Germany, where prices are actually falling, or Japan, with its embarrassing current account surplus, is edging along some precipice of fiscal risk. Their policies can be defended, but not by these arguments.

A different problem appears where the report discusses monetary policy, a matter closer to the functional responsibilities of the BIS's members. The difficulty here is that the rapid structural change now taking place in virtually all financial markets has destroyed previously fairly stable relationships between monetary aggregates and developments in the real economy.

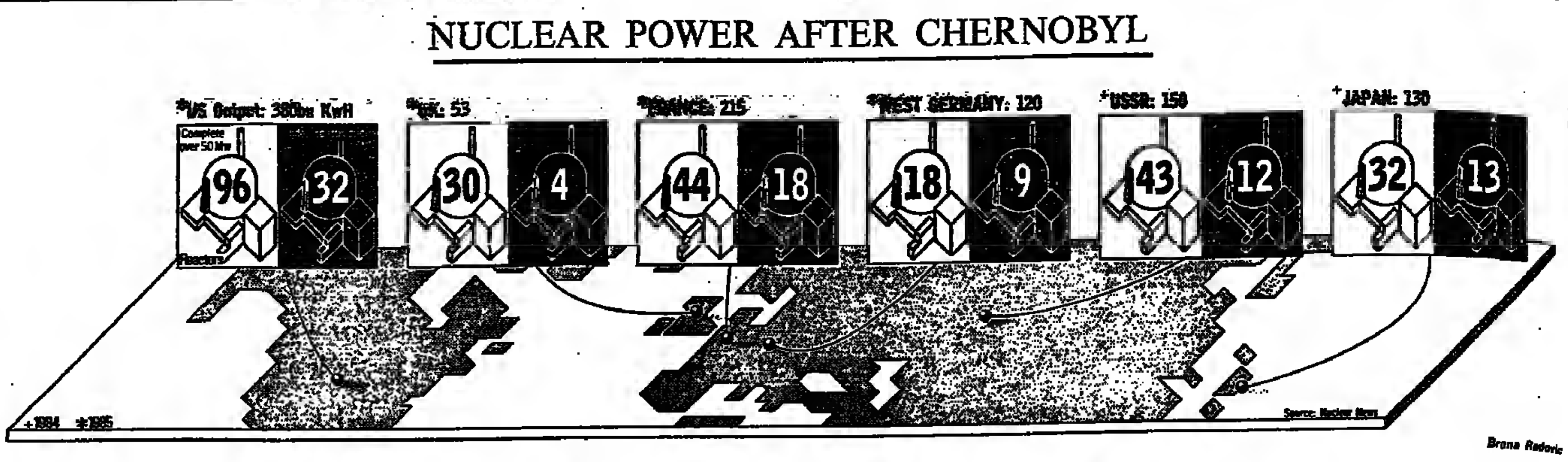
The BIS has done much valuable work in analysing the process of change, and in working out some of its consequences and dangers. It is sad to see this wealth of practical wisdom reduced to a warning that the inflationary dangers of excessive money creation have not disappeared simply because nobody any longer knows how to define the word "excessive". Again, we could have hoped for something much more useful: a technical discussion of the world-wide policy shift towards exchange rate targets for monetary policy.

Slow Progress

Even the positive elements in the BIS's policy discussion. Its strong support for the Baker plan for developing countries, does not advance the argument any further. We are told that progress is so far slow, which everyone knows, but not whether the BIS judges the intended scale of the plan as adequate, which most developing countries would deny.

Of course these largely vacuous policy discussions are not the core of the report, which as usual contains a full and authoritative narrative of international developments in finance, where the BIS is the primary source of reliable information. The report would attract more favourable attention if it stuck more closely to its technical remit. But in wishing to comment on the business of everyone else on the economic scene, the BIS is simply behaving like most central bankers do. It is only too representative.

NUCLEAR POWER AFTER CHERNOBYL



A long-lasting fall out

By Max Wilkinson and David Fishlock

"The experts agreed that technical questions relating to the safe operation of nuclear plants have now largely been resolved."
Nuclear Energy Agency, Paris, November 1985

"The commission recently told Congress that the probability of a Three Mile Island or worse accident within the next 20 years is about 50-50."
Commissioner James Asselstine of the US Nuclear Regulatory Commission, February 1986

"The future of civilisation is unthinkable without the peaceful use of atomic energy."
Mr Valery Legasov, deputy director of the Kurchatov Institute, Soviet Union, June 1986

ONE QUESTION dominated the discussion of experts at the European Nuclear Congress in Geneva last week: After Chernobyl, will anybody dare to order a new nuclear reactor?

Six weeks after the Russian reactor became a deadly inferno, throwing radioactive debris a kilometre into the sky, many of the serious long-term implications are only beginning to be pieced together.

At least while Chernobyl's statistics of death continue their slow march forward, and while the world still waits uneasily to learn the full effects of the pollution—as well as the cause of the accident—it seems highly unlikely that any Western politician will put his signature to a new reactor order.

In some countries, such as the Netherlands, the setback may be measured only in months. In others, for example Sweden and West Germany, the full effects may uncoil into the next century. Opinion polls throughout Europe have shown sharp swings against nuclear power, with some 60 to 70 per cent of voters now opposing it in many countries.

Public opinion may gradually swing back towards the centre, but in most countries of Europe and in the US, the nuclear industry has much more than a propaganda job to do. The public has fastened on to the fact that, however superior Western safety systems may be, the vast concrete domes round modern reactors would not be certain to contain a Chernobyl-type of explosion.

The question: "How safe is safe?" is firmly back on the agenda and will certainly provoke wide-ranging arguments as to whether current technologies really are appropriate for the longer haul.

Designs for reactors which shut themselves down naturally in the event of failure are certain to be dusted off and re-examined. The case for smaller reactors which perhaps can be controlled more easily and cost less will also be re-opened; but any major change of direction by the nuclear industry would require huge amounts of money and time—especially time.

The set-back to existing nuclear programmes can already be estimated in terms of billions of dollars. In the longer term, cancellations, premature retirement of power stations and slower ordering could be measured in tens or even hundreds of billions with a significant impact on the balance of world energy production.

Does this matter? The world is at present glutted with oil, coal and natural gas at prices far lower than most people dreamed possible a few years ago. In many countries, particularly the US, the capital costs of nuclear power have turned out inordinately higher than original estimates.

Moreover, the dire predictions of the late 1960s that oil reserves would steadily run down have so far proved emphatically wrong. Some day, perhaps sooner than expected, oil will be scarce again, but for the time being there is a surplus. Known reserves in the free world are now about 830bn barrels, 35 per cent more than in 1970 and enough to last for 45 years at present consumption, even if exploration stopped tomorrow. Coal under the ground will last for centuries.

Fears of a global energy famine, therefore, no longer provide a popular impulse for nuclear programmes, except perhaps in France and Japan, which have few hydrocarbon resources of their own and highly successful nuclear industries.

In France, where 70 per cent of electricity is already generated by 44 very efficient nuclear stations (with 17 more under construction), it seems inconceivable that the present programme could be abandoned as a result of the Chernobyl disaster. France has learned to build nuclear power stations for half the cost of the best in US.

Elsewhere, public perception of the need for nuclear power has been much weaker. Now, the vision of its cheapness and cleanliness is, to say the least, clouded.

A West German nuclear executive who attended the Geneva conference suggested that "at worst" the country's nearly-finished fast reactor at Kalkar, its reprocessing plant just begun at Wackersdorf, and its oldest nuclear station could all be sacrificed to appease those who want to end the nuclear industry.

In Sweden, which generates about 50 per cent of its electricity from the atom, there are demands for the closure of two reactors at Barseback, the closest to nuclear-free Denmark and another at Ringhals, which needs refurbishing. Industrialists' hopes of reversing the 1980 referendum which led to a decision to phase out nuclear energy by 2010 have vanished for the time being.

In the Netherlands, where opponents of nuclear power have traditionally been strong, ambitious plans for two new nuclear reactors have now been frozen.

In Spain, plans to lift a two-year suspension of work on reactors at Extremadura and Valdecaballeros have been badly shaken.

In the UK, the odds of a decision in favour of building the country's first Pressurised Water Reactor (PWR) at Sizewell on the Suffolk coast have lengthened greatly.

The list of doubts, delays and cancellations even extends behind the Iron Curtain to Yugoslavia which has postponed indefinitely its plans to build a second reactor at Prevlaka in Croatia, where the West is competing for the contract with the Soviet Union.

Among other Soviet allies, the Chernobyl disaster has stirred popular questioning of nuclear power for the first time.

In the Soviet Union itself, officials continue to deny that the accident suggests there is anything wrong with the 11 remaining Chernobyl-type reactors.

Mr Victor Kozlov, vice president of Atomenergoexport, the Soviet exporter of pressure water reactors, claims it is business as usual.

Perhaps the most far-reaching effects of the Chernobyl accident will be in the US, where the world's only other major nuclear power station meltdown—at Three Mile Island in 1979—has had a profound effect on public opinion. Even though nobody was killed, the expensive radioactive mess is still being cleared up seven years later.

The 101 nuclear units in operation and 28 under construction in the US represent about a fifth of the world's total, and a large majority of the free world's commercial reactors are based on American designs.

Even before the Chernobyl accident, popular fears in the US about nuclear safety had been re-inforced by some highly disturbing comments from nuclear regulators. Public fears have helped to push costs up by an order of magnitude, so that most nuclear stations commissioned this decade will on average have little advantage over a modern coal-fired station, and in parts of the US near coalfields are likely to prove more expensive.

Mr John Martin, a member of the country's Nuclear Regulatory Commission, told a recent conference: "Many plants are not operated reliably or competently, and in some cases there are safety questions." At an incident at one of Toledo Edison's plants last summer, he said there were "twelve individual breakdowns of equipment that occurred simultaneously."

Mr James Asselstine, another commissioner, told nuclear experts earlier this spring: "One of the fundamental problems about current reactors is their complexity." This led to "unanticipated systems interactions, unresolved safety issues, difficulties in maintaining plants . . ."

Frequent changes in safety regulations, bad management and construction delays have already made several stations into financial disasters.

Even before, Chernobyl, therefore, the whole future of nuclear power in the US was under serious question. No new plant has been ordered without cancellation since October 1973.

Now, according to Dr Chip Bupp, former Harvard professor and analyst at Cambridge Energy Research Associates (Massachusetts): "There will be no additional orders for nuclear stations this century."

He thinks the renewed debate on safety is certain to lead to even more delays and cost increases for reactors under construction.

Yet the world cannot simply wash its hands of nuclear technology. Existing nuclear stations already amount to a significant proportion of the world's total resources. Although nuclear power represents only about 5 per cent of the world's total energy consumption, the 536 units now operating or being built will have a combined capacity of 413,000 Mw. That is almost enough to supply the whole of the electricity needs of the US. In current values, the resource is approaching the amount which the Western allies spent fighting the Second World War.

Should the world decide to do without more nuclear power, the economic impact would be "similar to, if not worse than, the first oil crisis," Dr Klaus Stadie, deputy-director of the OECD's Nuclear Energy Agency, has warned the European Nuclear Congress.

Once a nuclear power station is built, it is economic lunacy not to run it at full tilt (safety permitting) because the running expenses represent less than half of total costs per unit of electricity (compared with around three-quarters for a coal station).

Nor can the world afford to ignore France's example. The latest study by the Nuclear Energy Agency in Paris suggests that France's nuclear electricity will be little more than half the cost of that from equivalent coal-fired stations. Even on pessimistic assumptions, nuclear comes out 25 per cent cheaper for France.

In other countries where nuclear programmes have been less well run, the advantage is smaller, but significant.

France's success is based on setting up a production line of nearly identical nuclear stations. This suggests that a Chernobyl-type disaster at one of them could have devastating consequences if the public demanded that all similar stations must be shut down. France would have to be blacked out.

On the other hand it is entirely possible that in 20 years time France will be able to boast a trouble-free record and electricity at half the cost of that produced in countries which reject the nuclear option.

One day, within the lifetime of France's present nuclear stations, the oil price will go back up above $35 a barrel in present-day terms, and coal prices will rise steadily. This may be in 1995 or it may be in 2010. Whatever the date French industry will then have a huge and widening comparative advantage over any competitors depending on fossil power. Moreover, nuclear stations may well have a useful life long after their capital cost have been written off.

Perhaps the real lesson for Western industrial countries is that the economies of scale in present nuclear technology are much greater than was conceived two decades ago. Even a single nuclear power plant of 1,000 MW costs $1bn to $2bn. But to build and operate them efficiently, it may be necessary to plan a family of at least ...

Many of the problems in the US arose because large numbers of small private utilities ordered plants of different design, and lacked the technical resources to support them properly.

In the UK, for example, the first PWR planned at Sizewell will cost twice as much as an equivalent new station in France, according to the Nuclear Energy Authority. Even a second (repeat) station in the UK would cost 50 per cent more than in France. So Britain might have to build half a dozen or more before it could catch up.

This means that for countries betting on the nuclear option, the minimum stake for an efficient programme may be enormous, with the obvious risk that planners will get their energy forecasts wrong and build too many.

These are just the economic hazards. In the post-Chernobyl world, they will be weighed not just against the safety experts' broadly reassuring statistics of risk. The scales are now weighted by the public's vivid perception of catastrophe spreading an especially unpleasant form of death.

Men and Matters

Forrest's long march

One man who has recently changed his view on the tantalising question "Is China a good business risk?" is Dr Ken Forrest, the affable Scot who heads the Department of Energy's discreet but influential China unit.

Forrest, about to embark on his tenth visit to China, is a good deal more bullish on prospects for British companies in the People's Republic than he was a year ago when he shared the jaundiced view of most of his colleagues who see business with Peking as a long march to a dead end.

His optimism can only have been reinforced at a lunch hosted yesterday by his boss, Energy Secretary, Peter Walker, for Chinese Vice-Premier and economic supremo Li Peng, in London on a four-day visit. Vice-Premier Li spoke encouragingly of prospects for economic growth in China despite the continuing disagreements over the open-door policy.

Forrest, 41, plays a curious, and perhaps unique, role in Britain's commercial relations with China. His three-man unit was set up in 1984 following an earlier visit by Walker to China. The Energy Secretary returned, in the words of one official, "like a latter-day Marco Polo full of enthusiasm."

Based in Glasgow as part of the Energy Department's Offshore Supplies Office, Forrest's small task force acts as a kind of clearing house cum honest broker between the Chinese government and Britain's energy sector. Originally confined to the offshore oil and gas sector—"because the Chinese said they couldn't cope with the profusion of companies on offer" — the China task force now embraces, and is involved in, all aspects of Britain's energy assault on China.

Forrest insists that his unit, recently upgraded to a "bureau" in China to satisfy Chinese preoccupations with status, does not vet all applicants for business with the Chinese government. Companies in the private sector are free, he says, to do business on their own.

But "more often than not, the Chinese like the stamp of approval of government, especially on big projects, and thats where we come in."

A former research chemist, Forrest is concentrating on getting business for two major Chinese projects — the natural gas development in the South China sea and the 700 Mw conventional power plant in Hunan province. But he says that "nothing happens quickly in China," tempering his optimism with the warning that "anyone who thinks they can wrap up a deal with the Chinese in a month or two had better think again."

City run

A useful competitive exercise for City institutions limbering up for the Big Bang takes place in the Square Mile on July 17. The City of London will be host on that date to the Manufacturers Hanover Corporate Challenge Road Race.

The 3½-mile race began as a fun run in New York in 1977 with 200 runners from 50 companies. By last year, the annual event had been expanded to 12 other cities in the US and more than 30,000 people from 1,200 companies took part in the New York race alone.

Corporate teams—men, women or mixed—from City businesses are being invited to compete in the two-lap race around the streets in July.

Winners will get a trip to the US in November to take part in the international finals. There will be a special prize for the first chairman or chief executive to breast the tape—if any can be found who are willing to take such risks with their reputations of always being one step ahead of the field.

Pavement artist

Mike Hoffman has been a keen protector of the environment since taking the reins as managing director and chief executive of Babcock International three years ago.

A programme of cleaning factory floors (which is called Good Housekeeping) has been started throughout the Babcock empire. It fits neatly with the aims of a group which makes equipment for controlling obnoxious emissions from power stations.

But something just as obnoxious and closer to home has been trying Hoffman's patience lately.

Last week he wrote to the town clerk of his home borough, Chelsea and Kensington, suggesting that it becomes the first "poo-free" borough in London.

Exasperated by the quantity of dog dirt on the pavements and roads outside his town house in this plushy London suburb, Hoffman has written to the council asking for stronger action to force dog-owners to use "pooper scoopers."

A dog-lover himself, but refusing to have a pet in congested London, Hoffman takes his campaign seriously. He uses an anti-hound spray outside his house, and returns the favour of anyone whose dog fouls the pavement in front of his home by depositing the offending material on their doorsteps.

Friske clean

Josef Friske is no Richard Branson, and the German clean-up campaign in which he is involved has a less superficial aim than litter—the black economy itself.

Friske, a Bavarian scaffolding manufacturer agreed to appear in a series of advertisements launched in the newsmagazine Der Spiegel (readership 4.7 million). His contribution focuses on the job losses caused by those who evade taxes and social security. Having had to sack two thirds of his own workers, Friske says he can no longer turn a blind eye—and urges others not to do so.

The Friske advertisement is just the start of what has been named the Campaign for Honest Jobs. Its backers include the German equivalents of both the CBI and the TUC, as well as major ministries such as Finance and Employment. Warnings of fines and "draconian" sentences are directed against employers as well as workers engaged in the "dirty business" of the black economy, which is condemned as dishonest and antisocial. Honest citizens are reminded that because of the enormous amounts of tax and social security lost, they will have to dig deeper into their own pockets.

Beyond belief

I doubt whether this layman's view will help to solve the current theological arguments— but here it is.

Usher in London court as witness prepares to take the oath: "What is your religion, please?"

Witness: "I haven't got a religion. I'm Church of England."

Observer

Letters to the Editor

School reforms, yob rule . . . and a chance encounter

From Mr G. M. Simon.

Sir,—The evening before I read the article "School reforms that could end yob rule" (June 4) I came face to face with a yob riding a small motorbike in the village of Wellesbourne, Warwickshire. In the course of our conversation I made certain suggestions which indicated a lack of any understanding of biology, but some awareness of the laws of physics in grasping the fact that the velocity of a physical object, in this case the handle of a jack, would be likely to cause less rigid structures to fragment.

I doubt whether such a person would be guided away from yobbery by the process that Baldwin Davies recommends of a "fundamental move to pupil-centred learning and criterion-referenced examinations." These apparently mean that the pupils will be involved in the consideration of "how man expresses his love, hopes and fears" so as to enable young people to acquire skills and, indeed, to sustain them in life as a whole—all this being considered in examinations where there is a fixed standard—the process being supervised by teachers who are not aware that "to lead out" is educere (the infinitive) and not educo. By a curious coincidence educere has as one of its meanings "to beget," thus taking us back to the elaborate proposals of the Wellesbourne yob.

May I respectfully suggest that the process commended by Mr Davies is unlikely to reduce the number of yobs compared with one which involves disciplined learning, whether that be of the difference between the infinitive and the first person singular or of the practicalities of other useful subjects, not all of which, perhaps, might be the subject of academic schools of the ancient universities. Surely education, as a process, is designed to ensure that when people leave school they want to go on learning about special subjects that they have started learning at school and other things which they come across later, and that they have the ability to express themselves in a clear way free from jargon?

G. M. Simon,
48 Temple Street, Birmingham.

From Dr L. G. Brookes

Sir,—The article by Baldwyn Davies was a bit like the curate's egg: one could sympathise with his views on the examination system while having misgivings about hints of anti-science-and-technology backlash in his ideas about blurring the distinction between subjects. There is, however, one very common error in his article that must not be allowed to pass.

The word "education" does not owe its origin to the Latin third conjugation verb "educere" (to lead out): if it did the English word would be "eduction." It has its origin in the first conjugation verb "educare" which means "to nurture." The author's appeal to etymology to justify his view of education as a process of drawing out innate qualities is therefore unsound.

Dr L. G. Brookes,
16 Ipswich Road, Bournemouth.

From Mr N. J. R. Mullan.

Sir,— In reply to Mr Davies' article, might I make two points:—

1—An examination system similar to ours is the norm in most countries. Mr Davies must therefore answer the question why our results are worse than in most other countries using similar systems, for example the fiercely competitive Japanese system.

2—I understand that in many schools the setting of homework is now the exception rather than the rule. It is this lack of pushing pupils, together with a general lack of discipline, both of which are the responsibility of teachers, that turns out potential employees who are unfitted for later life where discipline and hard work are required by employers.

N. J. R. Mullan,
69, St Georges Drive, SW1.

From Mr R. S. Eades.

Sir,—Earlier in the year, I wrote to the Lord Mayor to ask in what way London was intending to celebrate the 1,100th anniversary of its capture by King Alfred.

I received the following terse reply: "The Corporation of London is not intending to commemorate the triumph of King Alfred in capturing the City in 888."

I find that sad.

The Anglo-Saxon Chronicle notes that "King Alfred occupied London and all the English people submitted to him except those that were in captivity to the Danes."

Many scholars would agree with Professor Eric John when he writes that if one needs a date for the beginning of the English Kingdom then 886 is as good as any.

For the Corporation of London to ignore it completely I find incomprehensible.

R. S. Eades.
Toll Timbers, Horton Close, Maidenhead, Berks.

Copier dumping in Europe

From the International Co-ordinator, Corporate Affairs, Rank Xerox

Sir,—Allow me to provide you with information on a point of perspective in the letter from Mr Gestetner (June 4), criticising Jane Rippeteau's article on the EEC copier antidumping investigation and "the current debate" on that industry in Europe.

Contrary to the assertion that "over a large part of the copier industry there are no indigenous European manufacturers of substance," it is important to emphasise that in the relevant period, Rank Xerox alone directly employed nearly 30,000 people in Europe, mostly in the copier industry. While it is true that we did sell some Japanese manufactured copiers imported from a Japanese affiliate, this was less than ½ per cent of our placements.

Although I am not in a position to identify the production values of Olivetti, Oce van der Grinten and our other co-complainants, Rank Xerox exported over £225m worth of goods from the UK in 1985 and our various manufacturing operations in Europe exported, beyond the boundaries of Europe, over £310m worth of goods to create an extremely favourable balance in favour of Europe.

A successful dumping action should result in regaining opportunities for the remaining European manufacturers and the very extensive high technology component supply base we support in Europe.

J. Bake,
338 Euston Rd, NW1

Case for a lower rate tax band

From the Director, Low Pay Unit

Sir,—Dr Williams is incorrect in asserting (May 27) that, as long as gross pay and tax allowances rise in line with inflation, so too will net pay. As long as the marginal rate of tax (MTR) exceeds the average rate of tax (ATR)—as is always the case—then gross pay must rise by more than inflation if net pay is to keep pace with prices.

Take the example of a married couple on a single average wage. Their average tax rate (assuming only the basic personal allowances are claimed) is 22 per cent and their marginal tax rate (including NIC) is 38 per cent. The gross pay rise necessary to increase net pay by any given amount is provided by the formula 1-ATR/1-MTR, which in this case is 0.68/0.62 = 1.1. Their gross pay must rise by 10 per cent more than inflation if their real net pay is to be maintained.

This is more than a matter of arithmetic. The further the gap between the marginal and the average tax rate, the bigger must be the increase in gross pay to provide an increase in real net pay. For instance, a married couple on half average earnings has an average tax rate of 26 per cent but a marginal tax rate (like virtually all tax payers) of 38 per cent. The formula above shows that they will need a gross pay rise 20 per cent above the rate of inflation just to maintain real net pay.

The tax system alone ensures that the low paid need bigger percentage pay rises. Yet in recent years their pay has increased much less than the average, and in many cases less than inflation. As a result, the gap in living standards between the poor and the prosperous has widened more than even the gross earnings figures show.

All this calls into question the validity of the assertion, most recently mouthed by Lord Young, that those in employment have enjoyed an improvement in living standards. It also argues the case for a reduced rate band of tax for the low paid so as to lessen the built-in disparity in net pay rises, and to improve the ability of the low paid at least to maintain their real net pay.

Chris Pond.

NHS laundry savings

From the Director, Association of British Laundry, Cleaning and Rental Services.

Sir,—On behalf of the commercial laundry industry, I refute Bob Jones' argument (May 23) as yet another attempt to divert serious attention from the substantial savings which could be made for the National Health Service, to the benefit of both patients and the tax payer.

Contrary to his assertion, the reason why the unions have not accepted private contractors in the health service is because they cannot afford to have the unpressured extravagance of in-house services exposed. If health authorities—let alone the public—were to appreciate the full cost benefits, service efficiency and greater job satisfaction inherent in fully managed commercial linen systems, in-house NHS laundries would rapidly be displaced. Being well aware of this, Mr Jones and his colleagues nurture the belief through constant repetition that the introduction of commercial services is inseparable from the alleged break up of the health service.

Unfortunately, probably for the sake of a quiet life, many health authorities connive at the spoiling tactics of the unions. Despite the additional guidelines on competitive tendering circulated by the DHSS at the beginning of the year, the entire process is still heavily rigged in favour of the in-house laundries. The pre-tender questionnaires sent to commercial firms have to be seen to be believed in terms of intrusive, irrelevant questions. The time allowed to complete detailed tenders — frequently involving 300-page documents— is usually between two and four weeks. Any tender involving capital expenditure has an in-built advantage of at least 2 per cent to the on-site facility, the difference between the cost of borrowing on the market and the national rate applicable within the public sector.

Competitive tendering for laundry services in the NHS has almost been reduced to a charade, owing to the remorseless bias towards existing in-house facilities. The contracts won by commercial firms have invariably shown that the linen volumes estimated in tenders have been wildly exaggerated. This, of course, is designed to provide a "comfort zone" for the in-house laundry: it is worth speculating on the cumulative value of the "comfort zones" which have never been revealed in contracts which have stayed in-house. We estimate it least £10m a year.

No health authority has even considered the fully managed commercial linen service. Mindful of the profligacy of linen usage in the NHS, we estimate that an additional £80m a year could be saved by commercial contractors, a sum which could be diverted to front line patient care.

The irony is that the Government appears to be perfectly content to use the commercial sector as "whipping boys" in its policy of bringing the NHS ancillary services to heel. We are as scornful as Mr Jones of the trumpeted savings from competitive tendering. The only assured part of the savings are those which arise from commercial contracts; the in-house "savings" are not worth the paper they are written on.

At the end of the competitive tendering round, unless commercial contractors have been given genuine opportunity to show how much more cost effective and higher standard are their services — in which case many more competitions will be won — the entire process will have been an expensive waste of time.

Simon Rawlins.
319 Pinner Road, Harrow, Middlesex

Review of pension management

From Mr T. Schuller

Sir, — Your leader of May 19 on pension funds makes several important points. As you note, the emergence of huge surpluses has brought to the forefront the question of who controls the funds and the relationship between corporate managements and the trustees of the pension schemes.

The pattern of control is a complex one. Trustees appointed by management are inevitably subject to some degree of conflict of interest, with loyalties both to the scheme and to the company which pays into it. Professionals such as actuaries are employed to provide advice to the trustees but commonly discuss their position directly with company management. Trustees appointed or elected by scheme members have no formal negotiating role, but see the management of the funds increasingly interwoven with the valuation of the company. This has consequences, amongst other things, for the vulnerability of the company to take-over bids and for the assessment of its profitability.

The sums involved are enormous. The imminence of the Big Bang makes it all the more important that we should have a review of the responsibilities of trustees, of their relationships with their advisers, and of the role of corporate management in relation to pension fund management.

Tom Schuller,
University of Warwick, Coventry.

Profit-sharing in practice and the bearing of risk

From the Executive Director, Job Ownership.

Sir,—Professor Meade as you rightly acknowledge (June 3) has "done more than any other British economist to stimulate interest in ways of linking pay to the performance of enterprise." But the two main pessimistic conclusions in his latest paper on the subject cannot be allowed to pass unchallenged. For whatever the balance of the theoretical arguments there is growing evidence against them.

Professor Meade argues that profit sharing and employee ownership cannot, or should not, include the spread of wealth among their objectives. His argument here is the familiar one, that for employees to invest in the business which employs them is to expose themselves to unacceptable risk. But is it? The 30,000 odd partners in the John Lewis Partnership have in some sense been exposed to this risk since they became partners in the first place. Over the last 10 years they have been the recipients of an annual partnership bonus worth an average of 18 per cent on top of wages and salaries which are paid at market rates. Is this the kind of "risk" from which a workforce should be protected, by wise policy makers, in their own interest?

We are surely entitled to assume that a majority of businesses will be at least moderately profitable most of the time. Certainly most of the promotion material circulated to the shareholders by public companies rests on that assumption. I received just such a circular from Broken Hill Pty (BHP). It announces, among other things, that the "board's intention is to appropriate 40-45 per cent of earnings to the annual dividend." There is no suggestion that these earnings might be negative. If BHP was structured in the same way as John Lewis Partnership these shareholders' dividends would be replaced by a partners' bonus. It is hard to see how such a switch could fail to have a positive effect on the spread of wealth.

Professor Meade argues against profit sharing and employee ownership on the grounds that it will inhibit growth. But once again there is a respectable body of evidence against him. It includes, but is far from restricted to, the John Lewis Partnership. It may be true that shop floor workers are more risk averse than managers. But there is increasing evidence, especially from the Mondragon complex in the Basque provinces of Spain, that they will accept and support higher rather than lower risk policies if the reasons for them are properly and convincingly explained.

Robert Oakeshott,
9, Poland St, W1.

From Mr J. W. West.

Sir,—Two more drawbacks might have been added to those mentioned in your leading article of June 3: "Profit-sharing in practice." One is that profit is an arbitrary concept and is to some degree dependent on accounting conventions. The other is that maximising profit does not require maximising the creation of wealth; indeed often the reverse.

In my view, serious thought should be given to basing pay on added value. Unlike profit, added value is not an arbitrary concept and it can readily be determined. Its use would provide an incentive for the creation of wealth since added value means increased wealth. It would encourage productivity since higher productivity leads to higher added value and so to higher pay. It would not be inflationary since pay would be related to what is produced. And it would encourage efficiency and discourage waste since inefficiency and waste both reduce added value. Further, it could be applied in circumstances where, because there is no question of profit, profit-sharing cannot.

Like profit-sharing, added value would tend to cause resistance to further recruitment. But this is an unavoidable feature of all such pay incentive schemes. The big difference with added value, however, is that it would provide a strong incentive to increase the creation of wealth and that would lead to more work and so to an increase in employment.

John West.
6 Weydown Court, Weydown Road, Haslemere, Surrey.

IF ONLY they had lived today, Cassandra and Jeremiah would both be seen as polished and effective politicians. Deceptions and evasions about economic reality have always been the lifeblood of competitive politics, but politicians have generally been accused of hiding the awful truth from their electors. What used to be considered more unusual was for elected leaders to apply the distorting lens of politics to their economies in the other direction; to magnify their problems out of all proportion and then go to the hustings behind the edifying slogan that things could only get worse.

Germany and Japan

Misguided austerity

By Anatole Kaletsky

Today's great international economic issue is fiscal policy. As the US budget deficit is narrowed and the dollar is devalued, Germany and Japan are under pressure to relax their fiscal policies to stimulate growth in their own economies and the rest of the world. Why do their governments resist the obvious political attractions of lower taxes and higher public spending? There seems to be one argument which stands unrefuted and almost unchallenged in both these countries. It is summarised powerfully in the bold line on the charts.

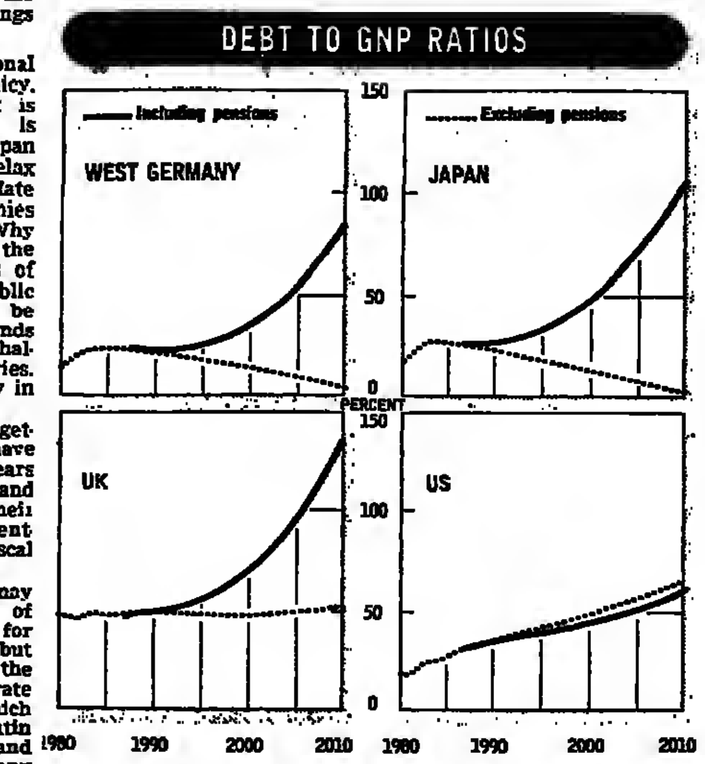
Despite the massive budgetary retrenchments they have imposed in the past few years politicians in both Japan and Germany seem to believe their countries are moving relentlessly towards a long-term fiscal disaster.

A few years of austerity may have stabilised the ratio of government debt to GNP for the rest of this decade, but from the 1990s onwards, the public debt is set to accelerate like a rocket, to levels which threaten Italian or even Latin American style inflation and economic chaos. In Germany net public debt could grow, even with no expansionary redirection of present policies, from 22 per cent of GNP in 1984 to 85 per cent by 2010. In Japan, the debt expansion looks even more explosive, from 27 per cent to nearly 110 per cent of GNP.

The reason in both cases is demographic. The post-war generations of Japanese and Germans are due to start retiring from around 2000 onwards. And while tha pensions promised them by ever more generous social security systems will be growing, the working population which will have to pay for those pensions is stagnating or even, in the case of Germany, shrinking as birth rates decline.

If, as the OECD assumes in calculating the figures illustrated by the bold lines in the charts, both pensions and contribution rates continue to grow in proportion with average wages, enormous deficits in the German and Japanese social security systems will inevitably result. Britain, France and other European countriea face the same problem, albeit in rather smaller measures because their population patterns were less disrupted by World War Two.

DEBT TO GNP RATIOS



In the US, by contrast, the workforce is expected to go on growing as e result of immigration and higher birth rates; if anything, the social security system should actually improve marginally the US budgetary picture in the decades ahead.

Small wonder, then, that recent policy prescriptions from both the OECD and the International Monetary Fund, while they have bowed dutifully in the direction of the US Treasury's calls for fiscal relaxation, have ended up with endorsements of continuing austerity in Europe and Jepan. As the IMF put it in April'a World Economic Outlook: "The rednction of deficits over the medium term continnea to be necessary in order to restore fiscal flexibility and prepare for the expected growth of transfer payments as a result of demographic forces."

The Japanese tend to put it more graphically. Their society, they say, is "ageing." Like any prudent family, it must now put by the savings which it will live on in its old ege. With retirement around the corner, this is the time to be responsible and thrifty, not to rush out on e borrowing and spending binge.

The point seems obvious enough. Yet like so many of the "good housekeeping" type of analogies between individuals and whole economies, this argument is flawed.

A whole economy can only "save for its old ege" by increasing its rate of real productive investment — domestic financial debts or assets, which represent claims by one citizen on another, do not affect a country's total wealth or its ebility to support an ageing population. Thus if excessively tight fiscal policies are restricting the rates of investment in the Japanese and German economies, then they are actually worsening the future pensions problem, rather than solving it.

It is a moot point whether investment rates would rise or fall in response to looser fiscal policies. If the relaxation led to faster economic growth, this would tend to spur investment. If bigger budget deficits forced up interest rates, investment might decline. What can et the very least be said, however, is that domestic investment has been exceptionally weak, particularly in Japan, during the recent sluggish recovery, so the onus of proof is on those who argue that continuing austerity is needed to assure the future pension payments.

There is just one other way, apart from domestic real investment, that countries can hope to save for their old age. This is by investing in foreign assets, whether real or financial. This, of course, has been the policy edopted by Japan recently.

But can Japanese pensioners rely on the American workers of tomorrow to provide for them in their old age end will the American workers of today allow the Japanese to acquire large slices of their country? Each time the dollar falls against the yen or Mr James Baker speaks at an international economic conference, both these propositions become more questionable.

For the average pensioner in Dusseldorf or Osaka, relying on future governments to reise social security contribution rates sometime in the next two decades would seem e much better bet than gambling on the atability of the currency markets, the anti-inflationary integrity of the US Federal Reserve Board and the polilical goodwill of the US Congress.

How much would sociel security contributions have to rise in the future to solve the problem? Tha ahare of GNP spent on pensions is expected to rise in Japan from 5 per cenl in 1985 to 10 per cent in 2010. In Germany the corresponding increase is from 12 to 18 per cent.

The steep climb in debt ratios results from cumulating over many years, with compound interest, what will initially be very small annual deficits on the pensions budgets.

Thus, all that will be required to flatten those alarming npward curves on the OECD charts appears to be an increase in social security contributions equivalent to roughly 1 per cent of GNP every five years, starting from 1990 onwards. When the time comes, such modest extra efforts will surely be within the capability of the world's most prosperous countries. In the meantime, it hardly seems worth distorting the international trading system and imposing years of domestic austerity simply to try to obviate a future "disaster" which is most unlikely to occur.

FINANCIAL TIMES
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STATE ELECTION COULD DECIDE KOHL'S FUTURE

Tight contest in Lower Saxony

BY RUPERT CORNWELL IN BONN

WEST GERMANS in Lower Saxony will vote on Sunday in a vital state election, held under the ominous star of Chernobyl, which might have decisive bearing on the future of Chancellor Helmut Kohl.

It promises to be a cliffhanger, with opinion polls differing on whether left or right will emerge triumphant.

On one point every survey agrees: that Mr Ernst Albrecht, the Christian Democrat (CDU) prime minister of the state, is most unlikely to repeat his success in the last election there in 1982, when the CDU captured an absolute majority with 50.7 per cent of the popular vote.

In the face of a powerful surge by the radical, anti-nuclear, Greens in the aftermath of the Soviet nuclear disaster, everything apparently depends on whether the Free Democrats (FDP) can again creep over the crucial 5 per cent threshold. That would allow them seats in the Hanover parliament, and offers Mr Albrecht his best chance of staying in power, at the head of a CDU-FDP coalition.

But of polls published over the last month, only one holds out such a prospect. However, it is the most recent, and as such is a possible pointer that the CDU, hurt by discontent among farmers and discredited by a feeble performance by the centre-right Government in Bonn - not least by the Chancellor himself - might be starting to recover some lost popularity.

While previous surveys all indicated the CDU and the opposition Social Democrats (SPD) running neck and neck and the FDP beneath 5 per cent, the latest, by the Emnid Institute, gives the CDU 45 per cent, and the Free Democrats 6 per cent. The SPD is credited with only 38 per cent. The Greens are given 10 per cent: but even their backing, a problematic enough consideration in any case, would not be enough to enable the spectre raised by the Christian Democrats of a "Red-Green" majority to become reality.

Perhaps significantly, the more favourable Emnid poll was carried out after prosecutors in Koblenz and Bonn dropped their embarrassing investigations of whether Mr Kohl lied during parliamentary inquiries into the Flick political payments scandal.

Nor has there yet been any measure of the impact of the generally admired decision of Mr Kohl last week to appoint Mr Walter Wallmann, mayor of Frankfurt, as West Germany's first Environment Minister - a move aimed specifically at restoring faith in the Government's capacity to soothe popular nerves upset by Chernobyl. Some observers also believe that the anarchist violence that has scarred anti-nuclear demonstrations of late might rebound to the advantage of the CDU in Lower Saxony.

But if things do not work out like that, then a bad showing by the CDU in Lower Saxony might have great repercussions nationally. To lose the state would deprive the existing government in Bonn of its majority in the Bundesrat, the second legislative chamber, and threaten its future legislative plans, including large tax cuts.

Inevitably, too, it would badly rattle the Christian Democrats only eight months before national elections and raise tricky new questions about the desirability of Mr Kohl, who lags far behind his party in electoral esteem, leading it into the poll on January 25. By contrast, his natural successor, Mr Gerhard Stoltenberg, the Finance Minister, consistently ranks as the most respected politician in the country.

Norway faces US fish imports ban over whaling

By Andrew Gowers in London

MR Malcolm Baldrige, the US Commerce Secretary, acted yesterday to penalise Norway for continuing to catch whales in the North Atlantic in defiance of an international moratorium on commercial whaling.

In a move that might lead to a total ban on Norwegian fish exports - worth $143m last year and mainly consisting of salmon, shrimp and sardines - from the American market, he certified that Norway's continued harvesting of whales in the region had undermined efforts by the International Whaling Commission to protect them.

The IWC agreed in 1982 to ban commercial whaling in order to safeguard endangered whale species, and the moratorium came into effect with the beginning of the current whaling season last November.

Mr Baldrige's statement came as the 40-nation IWC began its annual meeting at Malmö, in southern Sweden. Norway is expected to come under intense pressure from other members of the commission over its continued commercial whaling in defiance of the ban.

Like Japan and the Soviet Union, Norway has filed a formal objection to the moratorium, and is therefore technically free under IWC rules to continue commercial whaling, although its whale catch is reported to be declining sharply.

However, that is not sufficient under US law to exempt it from trade sanctions as a result of its activities.

The US action has been taken under the so-called Pelly amendment, a law passed by Congress to try to reinforce the effectiveness of the IWC.

Under that law, President Ronald Reagan now has 60 days to decide, in consultation with the Commerce and State Departments, whether to impose a total or partial embargo on Norwegian fish exports. A total ban would be a severe blow for an industry with total fish exports worth an estimated $1bn a year.

The law has been invoked six times since it was passed in 1971, but the countries involved on previous occasions have all bowed to the US pressure.

Last July, the Soviet Union announced that it would cease commercial whaling in the Antarctic starting in 1987 for "technical reasons." Japan, the world's largest importer of whale meet, has also reluctantly agreed to stop commercial whaling from 1988 pending an IWC study of whale stocks, but is seeking to have some whaling exempted from the ban on scientific grounds.

In a statement at yesterday's IWC session, the Japanese delegation struck a conciliatory note, pleading for a "fair and balanced solution of the moratorium issue."

In Washington, environmentalist groups backed Mr Baldrige's move. "The Norwegians should have seen the handwriting on the wall that they would be certified for whaling out of protected waters," a Greenpeace representative said.

THE LEX COLUMN

Top marks for UK retailers

Confirmation that Britain is a nation of retailers came via the credit markets yesterday, when the combined weight of Marks and Spencer and Tesco raised almost the equivalent of $250m. Uniquely among the world's shopkeepers, Marks and Spencer has achieved a triple-A, government-style, rating from both rating agencies under which to make its first venture into the dollar bond markets.

Although the $150m bond has a 10-year maturity, its prime role in the Marks' financing scheme is to fund the expansion of Marks' credit card business, a mushrooming book of high-yielding short-term loans.

Sterling commercial paper might have seemed a more appropriate liability to match this sort of asset hase. But swapping 10-year dollars into sterling has provided cheaper short-term liquidity than even the acceptance credit panel that Marks already had in place, and acceptances are currently cheaper than commercial paper.

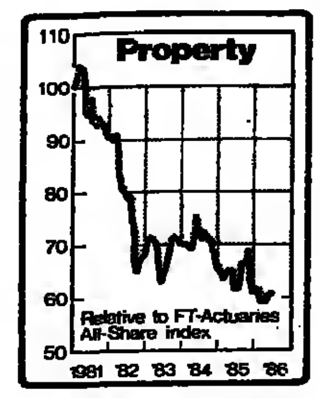
In any case, with long-term thoughts of expansion into the US, it would be worth Marks's while to prepare the way hy establishing its credentials in dollar debt markets.

At AAA ratings are in part a trihute to Marks' past conservatism, limiting its expansion to what could be afforded from retained earnings. Indeed, Marks is currently eetting off on a £1.6hn store-building programme from a base of net cash; it is a measure of the rating egencies' confidence in the cash-generating powers of the business that it could probably keep its AAA-status with gearing of up to 25 per cent.

Tesco's ambitions, being exclusively domestic, do not require the services of a US ratings agency. The ease with which it is possible in the unrated sterling market for a retailer to raise 20-year money at less than 1 point ovr a comparable Government issua is impressive - particularly given the growing density of competition on the average orbital road.

Property values

Falling interest rates and a spate of bids have produced a recommendation from property analysts to buy the sector. This delicate bud of fashion in an otherwise jaded market might not flower if the College



of Estate Management's tome on property depreciation is given the same attention from fund managers. The College has discovered that commercial property depreciates far more rapidly than allowed hy conventional wisdom. The peak rate of depreciation emerges between the 5th and 10th year of the property's life, with the result that a typical 20-year-old building is worth no more than 35 per cent of its modern equivalent.

London Wall may not quite be falling down hut it is obvious to the untrained pedestrian that many offices of the 1960s have proved incapable ol matching the demands of the 1980s, however refurbished. The institutions who thought they had picked up such properties on the cheap in the 1970s from distressed speculators are now selling them back to tha property boys, and are increasingly unwilling to buy anything other than first-hand buildings themselves.

The realisation of the speed with which property portfolios are losing value would have been less sudden if valuers incorporated a specific depreciation assessment. The quoted UK property companies similarly make no depreciation provisions. They have not enjoyed the capital allowances traditionally granted to manufacturing companies, with the result that the buildings owned by the second group are depreciated against profits, while companies which make their antire living through buildings make no such provision. In the US, property companies must charge depreciation against profits, which may explain why the US quoted property company is not so common as its UK cousin.

The sooner a huilding depreciates the more the discounted present value diminishes, while the present value ol the work needed to retain the value looms larger in an era of low inflation. Property rentals are growing laster than at any time in the decade, say the apologists of the sector, hut that is looking like e defensive necessity.

Hampton

Nothing in the defence document from Hampton Gold Mining Areas is downright untrue, or even very implausible: it merely issues from a reality that is under strain. It is all very well to produce a drastic upwards appraisal of assets to repel Metals Exploration and Mr Bond, but this merely highlights the extent to which Hampton has been burning equity - to the tune of 40 per cent in two years - and now has a £7m deficit on distributahle reserves.

Equally, it is not much use taking extranrdinary gains above the line and charges below - Hampton is still not profitable enough to cover the deficit and pay a dividend in any reasonable time without e capital reconstruction or some price explosion in gold and oil. As it is, Metals raised its offer yesterday 20p to 150p and picked up more shares before anybody could have read the detailed valuations, and shareholders need not spend too long over them.

To achieve a valuation of 205p a share, or more than 50p above Metals' revised offer, the projected income streams from nickel, coal, the North Sea and Australian gold mines are discounted as if price were no ohject. In the case of the Balmoral field, a margin over costs is huilt in from 1988 for luck. Further, in attrihuting a pre-tax value of £10.8m to the nickel royalties and a value substantially over market for Hampton Australia, Hampton appears to have Mr Bond (who can shelter the royalties and is after the gold) in mind.

Ever since Mr Brierley declared his stake, the market has been assuming that Metals would have to pay more: with the share price closing at 150p, and Metals speaking for 27 per cent of the equity, that stage has probably been passed.

Italian shares continue slide

By Alan Friedman in Milan and Paul Hannon in London

THE MILAN BOURSE tumbled 9.2 per cent yesterday amid growing unease among professional fund managers about the market's direction.

Heavy selling pressure came from small private investors who are still unsettled about persistent rumours that a capital gains tax on stock-market profits is being considered by the Government. Although Rome has ended any such plans, the selloff yesterday cut the capitalisation of the bourse by between $7bn and $8bn. The market has retreated 38 per cent in the past two weeks.

Foreign institutions did not sell heavily yesterday while domestic Italian unit trust managers were sitting tight following last week's 14 per cent drop in the share index. "When the professional funds are not buying, the immediate reaction of the traders is to sell, to go short," said one Milan broker.

"There was an element of panic among private investors," says Mr Chris Honnor, Italian specialist at Kleinwort Grieveson, the London brokers, "but we are advising our clients to hold on. The fundamentals have not changed. Prices have simply retraced the progress they made during the past two months."

Kleinwort Grieveson, along with many other British and US broking firms in London, are not actively soliciting business in Milan which is now the fourth-largest continental European bourse.

Much of the market's energy has been derived from large-scale investment by the Italian unit trusts which last month alone had L560bn ($3.8 m) available for new purchases.

Analysts believe that the market will be underpinned by sporadic bargain-hunting from the trusts in coming weeks although prices may have to fall a further 10 per cent before foreign investment becomes active again.

Brokers stress that, regardless of the market's decline, huge profits have already been made this year.

Generali was one of the most actively traded stocks yesterday and lost 8.26 per cent to L136,000, but the insurer had risen from L75,150 during the past five months.

Fiat, which is seen by many overseas investors as a market bellwether, dropped L890 to L11,890, which still compares favourably with its 1986 low of L6,531. Olivetti fell 3.7 per cent to L14,750 (1986 low of L8,110).

Trading in several shares was suspended yesterday when prices declined by more than 20 per cent. Such was the case with IFI, the Agnelli family's holding vehicle, which has 31.3 per cent of Fiat.

Share market report, Page 44

EEC to curb shipbuilder aid

BY PAUL CHEESERIGHT IN LUXEMBOURG

SUBSIDIES to the deeply troubled European Community shipbuilding industry will be brought under tighter control from the beginning of next year.

Community industry ministers decided yesterday that there would be a common ceiling on all production aid for shipyards, but they do not know how high it should be.

Detailed discussions on how to apply the general principle will take place in the autumn on the basis of proposals to be drawn up by the European Commission. The new controls would replace the so-called Fifth Directive, which expires at the end of this year.

The Fifth Directive links loosely the provision of subsidies to reductions in capacity, but the payment of subsidies has assumed so many forms that the working of the system has been, at best, opaque.

Ministers were agreed that the new system should be much more open than its predecessor. That goes straight to the heart of the arguments, about to begin within the Community, about the height of the ceiling.

Countries such as Germany oppose the use of direct production subsidies, as they are applied in the UK, but at the same time operate extensive indirect subsidies through tax concessions.

In the instructions given to the Commission for drawing up proposals, the ministers noted that "all aid to shipyards, both direct and indirect, will be taken into account in the calculation of this ceiling."

Early Commission thinking is to split subsidies into two types - for production and for restructuring. According to Mr Peter Sutherland, the Commissioner for Competition, the production ceiling subsidy "could be calculated on the bridging of the cost disadvantages of the most efficient Community yards compared with the most competitive Far Eastern price leaders in the categories of ships for which the European yards are relatively more competitive."

It is assumed throughout the Community that subsidies will be necessary to allow European yards to gain orders in the face of competition from countries such as South Korea.

Mr Sutherland believe subsidies for restructuring should be linked to yard closure and investment directed at specialisation or innovation. But where there are capacity reductions they should, as he put it, "be irreversible."

● The European Community is to spend Ecu 45m ($43m) over the next four years on a programme of co-operation between industry and universities on high-technology training. That was agreed by education ministers, meeting in Luxembourg yesterday.

The broad lines of the programme were agreed last December, but since then, there has been bickering over the budget.

Iraq to seek French weapons

BY DAVID HOUSEGO IN PARIS

IRAQ IS expected today to press France for fresh arms deliveries when Mr Tariq Aziz, the Iraqi vice premier, meets President François Mitterrand and Mr Jacques Chirac, the Prime Minister.

The Iraqi request is believed to include FFr 1bn ($140m) worth of mortars and shells from the Thomson group. Thomson is said, however, to be insisting that a quarter of the sum be paid on the signing of a contract - a condition that reflects French concern over Iraq's financial position.

The request for new arms comes at a time when because of the drop in oil prices Iraq is having increasing difficulty in meeting repayment schedules on its FFr 23bn of outstanding debt to France. Iraq is due to make payments this year of FFr 3.5bn. Indicative of the importance of the issue, Mr Aziz had his first meeting yesterday with Mr Edouard Balladur, the Finance Minister.

The visit also comes while France is seeking to normalise its relations with Iran. But Mr Chirac declared yesterday that Iraq had already been assured that such moves would not jeopardised its support or Baghdad. Mr Chirac, when Prime Minister in 1975, was responsible for the strengthening of France's relations with Iraq.

Senior French officials made clear yesterday, however, that the return of a French ambassador to Tehran would be linked to the release of the French hostages in Lebanon. France believes Tehran has a key influence over the fate of the hostages.

The officials also disclosed that fresh talks would be held shortly in Paris on the outstanding financial issues in dispute between France and Iran as a further step towards normalising relations. Iran is seeking repayment of $1bn in 1984 to Eurodif, the uranium enrichment consortium. French companies, for their part, are seeking compensation from Iran for broken contracts.

The talks between Iraq and France are expected to cover the possibility of a further rescheduling of Iraq's debts. Iraq has been making payments partly in oil and partly in cash. Officials claim that although Iraq has fallen behind on occasions, it has in the end met its obligations.

Iraqi raid, Page 7

Ericsson poised for deal with Bell

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ERICSSON, the Swedish telecommunications and electronics group, has made an important breakthrough in the contest to sell digital telephone exchange switches to the US Bell Telephone operating companies.

It has received a letter of intent from Mountain Bell, a subsidiary of US West, one of the seven regional Bell operating companies, to supply one of its Axe digital exchanges for field trials.

Mr Jan Stenberg, head of Ericsson's public telecommunications division, said, "This is the first confirmation that we are on the right track."

Ericsson is facing fierce international competition, chiefly from Siemens of West Germany, CIT-Alcatel of France, NEC of Japan and Plessey's Stromberg-Carlson unit to replace the position of "third supplier" of digital switching equipment to the Bell Telephone operating companies.

Ericsson had appeared to be losing ground, particularly to Siemens, but yesterday's announcement shows that it is finally making some beadway.

The company said yesterday that it expected to sign a definitive contract by the end of June and it was still discussing the location and duration of the trial.

Mr Stenberg expected the field test to begin within a year. He said Ericsson still boped to receive its first volume orders in the second half ol 1987 with first deliveries commencing in 1988.

Ericsson decided to enter the US market in early 1984. In the two years to mid-1987, it will have invested about $100m to adapt its Axe system to meet the demands of the US market.

The effort is of great strategic significance for the Ericsson group, as the US marketplace is estimated to be worth around $8.5bn a year, or about a third of the global total.

Ericsson begins its first field trial later than Siemens, hut it still claims to be about 12 months ahead of its West German rival in having its switching system evaluated by Bellcore, the central reasearch institute for the Bell operating companies. Ericsson's evaluation should be completed this year.

Thorn Ericsson jobs boost, Page 13

Pirelli signs Indian deal

By James Buxton in Rome

PIRELLI, the Italian tyres and cables group, is to equip and start up a plant in India to make its tyres under licence.

It has signed a contract with Soram Industries, a subsidiary of the Birla Group, which is to set up a tyre plant at Balasore in Orissa State.

The total investment is estimated at about $150m. The contract with Pirelli will he a little less than thet figure, the Milan-based company said yesterday.

The plant will use Pirelli technolngy and equipment and wili make about Im tyres a year.

The deal means that Pirelli is becoming involved in the fast growing Indian market for cars and components.

World Weather

		°C	°F
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Algiers	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]
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Belfast	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]
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Copenhagen	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Launch decision 'flawed'

Continued from Page 1

to fix it and finally treated it as an acceptable risk."

Thiokol managers reversed their own engineers' recommendetion not to launch "to accommodate a major customer," the report said.

The commission, which included former astronauts Mr Neil Armstrong and Ms Sally Ride; Mr Richard Feysman, the Nobel Prize-winning physicist; and senior aerospace and military experts, made several recommendations for improving the organisation and safety of future shuttle flights.

Those include redesigning the rocket booster joint and seal; a review of shuttle management structure; and the inclusion of astronauts in management roles.

MR Armstrong, the commission's vice chairman and the first astronaut to walk on the moon, said the tentative date set for the next launch of an American shnttle mission - July 15 1987 - might be "close to reasonable."

Speaking at a press conference with Mr Rogers, Mr Armstrong emphasised that no one could really know at this stage when the shuttle would fly again because a redesigned version of the booster joint had still to be selected. He said that if the joint could be fixed without extensive work, the shuttle could be leunched next summer.

Mr Rogers said the report, made public yesterday, was "not absolving or hlaming" anyone

Sinowatz quits as premier

Continued from Page 1

and he has been handling Vienna's finances for about 13 years.

Mr Vranitzky indicated yesterday that be would seek continnity in government policy. The Government would continue to press for further restructuring of industry and would aim to create and preserve jobs, as well as to increase efficiency.

Mr Vranitzky's task to refurbisb the Government's image before a general election will be a difficult one, but senior Socialists said last night that that was the only hope for the Socialist Party to regain support lost to the conservative People's Party and to the Greens.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday June 10 1986

Weak markets may push PWH into red this year

BY JONATHAN CARR IN COLOGNE

PHB Weserhütte (PWH), the West German group which is one of the world's leading manufacturers of bulk materials handling equipment, might slip into the red this year because of "drastically" worsening markets mainly caused by the drop in oil and raw materials prices.

Mr Peter Jungen, chief executive, said group sales revenue might exceed the 1985 level of DM 870m ($384m), because of a buoyant orders intake in earlier years, but it would be hard to achieve "a positive earnings result."

Last year the domestic group raised net profit to DM 3.4m from DM 2.3m, although the figure for the parent company alone fell to DM 300,000 from DM 2.6m.

Incoming orders in the first four months of this year were up by 15 per cent to DM 420m, mainly because of the recent important deal with China for coal transfer and loading facilities worth DM 125m.

Orders in hand at end-April totalled DM 1.3bn, but this record level reflected not least decisions by customers to delay the start of planned projects. In some cases there had been major cancellations, for example of a deal in the US worth DM 100m for coal-mining equipment.

Mr Jungen stressed that the slump in oil and raw materials was hitting PWH in two main ways. It brought a drastic loss of revenue for the producing countries, especially the Opec states, which used to account for an average 10–15 per cent of PWH's overall orders but which had now virtually vanished as customers.

The oil price fall was also forcing coal producers to defer the start of important new projects. This depressed demand for PWH's coal mining and transport equipment, the biggest single sector of business, accounting for up to 30 per cent of sales.

Mr Jungen noted that all this came in addition to an excess of capacity in the world mining equipment sector, built up in the early 1980s, and to pressure from state-subsidised competitors offering below-cost prices for the few big contracts available. He saw no real improvement in world market conditions for at least another two to three years.

Despite the generally gloomy forecast, Mr Jungen noted that the Asian market (in contrast to those in Africa and the Middle East) was holding up well. Business was buoyant in India and there were prospects of further deals with China. PWH had also set up new offshoots in Japan, Thailand and Korea, since the start of 1985 as part of its strategy to attack markets from within rather than through exports from Germany.

Moreover, the lower energy and raw materials prices which brought big problems for PWH also had one partly compensating advantage. Economic growth rates should be higher, not least in the industrialised world, and this implied stronger demand for PWH's growing range of equipment to transport and store packaged goods.

Since the start of last year, PWH had boosted its activities in this field by acquiring Mafi a manufacturer of cargo trailers, and Trepel which supplies a wide range of airport ground equipment for cargo handling and catering.

Finally Mr Jungen pointed out that PWH was no longer the subject of "militant headlines," a reference to the end of a long quarrel between the company's two previous major shareholders, the Hoesch and Otto Wolff groups. Hoesch has now pulled out and PWH is owned 75.1 per cent by Otto Wolff and 24.8 per cent by the Aachener und Münchener insurance group.

Saga accepts Marriott offer

BY OUR FINANCIAL STAFF

SAGA, the California-based group which operates seven US restaurant chains – including Grandy's and Straw Hat Pizza outlets – has agreed to be acquired by Marriott, the US hotel and food services group, in a sweetened $495m deal.

Marriott is to pay $39.50 in cash for each Saga share. Last month Saga rejected Marriott's earlier offer of $34 cash a share as inadequate.

However, the two companies said yesterday that Saga's board had unanimously agreed that the amended offer was fair and in the best interests of shareholders.

In New York Stock Exchange trading yesterday Saga's shares rose $2 to $39⅝ by midday while those of Marriott shed $1⅛ to $176⅛.

The agreement was negotiated over the weekend and will lead to Saga becoming a subsidiary of Marriott. All Saga shareholders who do not tender their shares will receive the same cash price as paid in the tender.

Marriott said it expected the merger to be completed by the end of August. Saga will pay Marriott $6.5m in cash if it is acquired by any company other than Marriott in the next year, or if its board modifies its recommendation for Marriott's bid.

Saga provides contract food service to hospitals, hotels and other organisations, apart from running its restaurant chains. However, development on the institutional side has been less rapid than in the upmarket fast food and restaurant divisions.

Tandy to spin off foreign operations

By Terry Dodsworth in New York

TANDY, the US consumer electronics retailing and manufacturing group, which owns the international Radio Shack chain, is to split its domestic interests and overseas activities into two publicly quoted companies.

Tandy described the proposals as "tentative" yesterday, but says it is aiming to adopt and implement them within the next few months if they do not run into any objections on regulatory or statutory grounds. It was anticipated that the stock in the newly formed concern, Intertan, would be traded in the over-the-counter market, the company said.

Under the plan Tandy will issue stock in the new company, whose assets will be drawn from its international retail operations in the form of a tax-free dividend. Intertan will have two principal subsidiaries: Tandy Electronics in Canada, to be responsible for operating the retail outlets in Canada, the UK, France, Belgium, West Germany and the Netherlands; and Tandy Australia, which will operate the retail operations in Australia alone.

Mr Garland Asher, director of financial planning, said the aim of the plan was to give shareholders the benefit of investing in two companies which would have distinct managements. Several times in the past Tandy had hived off divisions when they became large enough to stand alone, including businesses such as the Pier One Imports retailing concern.

"It helps to identify assets and it motivates management," he said. Intertan will have 2,000 shops overseas, and will have cross-licensing and merchandising agreements to continue to market Tandy's own-brand products.

On the basis of the year to June, Intertan is expected to have sales of approximately $400m and assets of $260m, and will be profitable, said Mr Asher.

GERMANS WILL BACK SPANISH CAR MAKER DESPITE LIKELY LOSSES

Few tears as Seat turns to VW

BY DAVID WHITE IN MADRID

SEAT was the company that brought the car within the reach of the ordinary Spaniard. The Seat 600, a small Fiat-designed model, became the symbol of a whole era during the Franco regime and between 1957 and 1974 Seat produced 800,000 of them. In a way, the company became to Spain what Volkswagen was to Germany.

Now, under an agreement formally signed yesterday in Geneva, Seat moves from being VW's Spanish equivalent to being its Spanish subsidiary.

The first stage of the three-stage takeover, the terms of which have already been approved by the Spanish Government, takes effect later this month, ending a lengthy series of negotiations. The West German group will obtain a 51 per cent stake through an operation in which Seat's state-held capital is written down and then increased. By the end of this year it is to raise this to 75 per cent, and by the end of 1990 is due to take over the last remnant held by INI, the state industrial holding group.

The price to VW for the full takeover is Pta 80bn ($580m) and to the Spanish taxpayer 2½ times as much – about Pta 200bn, the cost of putting Seat's financial house in order.

Concessions have been written into the final deal, including back-out clauses for the West German partner. VW, whose Passat, Santana, Polo and classic models are already being produced at Pamplona and Barcelona under the two companies' 1982 co-operation agreement, is to continue receiving royalties from Seat.

Fiat, which accompanied Seat as minority partner through its first 30 years of existence, but backed out in 1980 from an agreement to assume majority control, says it would have gone ahead if it had been offered the same conditions as VW has now obtained.

The main achievement from the Spanish point of view has been to preserve Seat as a separate company and marque alongside those of VW itself and Audi. But this might seem small recompense for the selling off at the taxpayer's expense of the country's only home-owned car manufacturer.

Despite murmurs of protest from the communist trade union workers' commissions, however, reaction to the takeover has been remarkably muted, with none of the political furore that was caused in the UK by the idea of BL's divisions being sold to foreign interests.

In Spain, the political lobby for state ownership is limited by the fact that the nationalised sector – including Seat – was largely built up by the Franco dictatorship. But there are three other reasons why Spaniards are shedding few tears at the sight of Seat being carried off by the giant of Wolfsburg.

Seat was set up to be Spain's car company, and was the first – before Ford and General Motors – but never produced a really Spanish car during its association with Fiat. Only after its break with the Italian group did it set up its own technical centre. The recent Ibiza and Malaga models were the first it could call its own.

Second, Seat has been losing the country money at a rate of Pta 36bn a year. Even when it was making profits its management reputation was not of the best and there was a high degree of government interference.

The third reason, linked to the second, is that the only other path would have been to close Seat at a cost of more than 20,000 jobs.

Some Spanish officials say that apart from the question of jobs, closure might have been the most sensible solution. With six car manufacturers, Spain has become one of Europe's most competitive markets.

Although Seat is expected to continue making losses for several years, the VW agreement involves a hefty commitment to its future. The Spanish company is to go through an extensive productivity overhaul, with a new factory at Martorell, not far from Barcelona, where the company's headquarters – until now in Madrid – are due to be relocated.

VW, which gains by obtaining access to the Spanish market before the end of EEC transition arrangements, promises to provide Seat with a role in Europe, by concentrating on producing small cars in bigger numbers. In 1990 Seat's output is due to increase to 400,000 units, including 130,000 Volkswagens, compared with last year's production of just over 300,000.

The investment involved is estimated at between Pta 400bn and Pta 500bn.

Businessland chain to sell 'clone' computers

BY LOUISE KEHOE IN SAN FRANCISCO

BUSINESSLAND, the US computer store chain, has announced plans to sell its own brand of "clone" computers – machines that are compatible with IBM personal computers but sell for lower prices.

The move signals increasing competition for IBM, Compaq and Apple, the industry leaders, from a growing band of clone manufacturers. According to industry analysts, sales of clones have significantly eroded IBM's share of the US personal computer market over the past year.

Businessland is one of the largest US computer retail chains in the US with 98 stores. It concentrates on selling computers to businesses using direct sales rather than conventional retail methods.

Businessland has previously offered only IBM, Compaq and Apple computers. The addition of its own-brand machines is a strong indication that corporate as well as individual personal computer buyers are willing to forego the "safety" of buying big-name machines in favour of better price or performance.

Businessland's computers will be manufactured by Wyse Technology. They will be compatible with IBM's top of the line PC AT models.

Arizona utility to buy savings bank

BY PAUL TAYLOR IN NEW YORK

AZP, the Arizona electricity utility, yesterday agreed to acquire Merabank, a savings bank based in the state, for $51 a share, or about $440m.

The Phoenix-based electricity company, formally called Arizona Public Service, said it signed a definitive agreement to acquire all of Merabank's 8.7m fully diluted shares. Merabank, which last year changed its name from First Federal Savings Bank of Arizona, also granted AZP a "lock-out" option to acquire 1.29m unissued shares at $39⅝ each.

Merabank, which only a few months ago received shareholder approval for the formation of a new holding company, Meracor Financial, as a vehicle for expansion into a broader range of financial services, said the purchase price would be adjusted upwards if the deal was not completed by December 8.

AZP reported net profits of $324m on revenues of $1.17bn last year.

The deal is the second major diversification to be announced recently by US utilities. Late last month, Pacific Lighting of California reached agreement to buy the Thrifty drug and discount stores chain for about $886m.

Anderson Clayton rejects $655m buy-out

BY OUR FINANCIAL STAFF

THE BOARD of Anderson Clayton, the US food processing group, has rejected a $655m buy-out proposal from Bear Stearns and Gruss and Company, two US investment banks that launched a bid late last month.

The company also reaffirmed its intention to go ahead with its own recapitalisation plan, under which shareholders will receive cash and new shares in a slimmed down, highly leveraged company. Last week the company's shareholders overwhelmingly approved the plan.

Anderson Clayton, whose food brands include Chiffon margarine and Seven Seas salad dressing, said that First Boston, the investment bank which has been advising it, had raised its estimate of the trading range for the 0.5334 of a share of new common stock to be issued along with $37m cash in exchange for each common share.

The trading range is now put at $13 to $18, compared with a previous figure of $8 to $10. The new estimate puts a total value of $50 to $55 per share on the recapitalisation, compared with $45 a share previously and $54 from the rival bidders.

Rejecting the Bear Stearns/Gruss offer Anderson's board cited "the uncertain and conditional nature" of the proposal and its related financing, which includes the sale of the company's Gaines Foods unit to Quaker Oats.

The board had also evaluated "the unknown delay in receiving payment if the Bear Stearns/Gruss transaction were to close, thereby creating a discount in the current value of the proposal."

The board's decision, along with the support from shareholders, makes it extremely unlikely that the rival bid can succeed.

Anderson Clayton said First Boston's increased estimate of the trading range for the new shares reflected several factors, including the fall in interest rates since the original estimate earlier in the year, and increases in the general stock market and the market for food stocks.

Swiss chemical groups show steady progress

BY OUR FINANCIAL STAFF

SIKA, the Swiss chemicals group which trades mostly with the construction industry, reports higher profits for 1985 but plans a maintained dividend.

On sales 7 per cent higher at SFr 720m ($393m) net profits last year improved by 11 per cent to SFr 19.3m. The dividend is being held at 50 per cent per bearer share and 25 per cent per registered share.

Owing to the currency situation, sales were down 3 per cent in terms of Swiss francs on comparable 1985 figures, despite a rise in local currency turnover and a 3 per cent increase in production.

EMS-Chemie, another Swiss chemicals company increased sales by 33.7 per cent to SFr 322.8m in the year ended April 1986. This was because of the consolidation of the EMS-Togo subsidiary and a 17.1 per cent rise in sales for the core business.

Cash flow increased to SFr 81.3m, of which SFr 60.8m was accounted for by corporate operations and SFr 700,000 by the sales of assets. In the previous year operational cash flow had been SFr 55.1m.

The EMS parent company booked a rise in profits from SFr 3.1m to SFr 7m.

هكذا من الأصل

Reprieve for Wah Kwong after Citibank compromise

BY DAVID DODWELL IN HONG KONG

WAH KWONG SHIPPING, the ailing group which is Hong Kong's third largest shipper, yesterday won a further breathing space of 90 days in which to draw up a survival plan. This followed agreement by Citibank, a major creditor, to give its support to a new interest payment moratorium.

An initial 90-day interest payment plan (IPP) was agreed by Wah Kwong's 46 main creditors in January shortly after the group floundered with debts of $6.4bn (US$819.4m).

This moratorium expired on May 30. Since then Wah Kwong has been without any income as its financial advisers have sought creditor backing for an extension of the IPP. This scheme effectively exempts Wah Kwong from debt servicing costs while a corporate reconstruction is carried out.

Citibank was, by early last week, the only bank withholding support for the extension. Since the approval of all creditors is needed for the new IPP to be effective, refusal would have spelt the end of any hopes of rescuing the group.

In a compromise settlement thrashed out in principle over the weekend, Citibank has agreed to back a new payment plan on the understanding that one of the two vessels over which it has claim is excluded from the overall long-term reconstruction plan. Citibank is thought to be owed about US$27m by Wah Kwong.

Amex Asia, Wah Kwong's financial adviser, and other major creditors of the group had been concerned that such a "special deal" would jeopardise the overall reconstructuring by tempting other secured creditors to follow Citibank's lead.

Compromise appears to have been possible because the vessel being claimed by Citibank is not among the select few in its 65-vessel fleet that are net financial contributors to the group.

As the ship is currently a lossmaker, Citibank has been able to argue that withdrawal will not damage prospects of a successful reconstruction. On the contrary, it has been argued that it will ease the problems of those trying to find a long-term solution to the ailing group's problems by taking a lossmaking vessel off its hands.

Implicit in the Citibank proposal is a conviction that the vessel can be brought back into profitability more quickly outside the Wah Kwong group.

Wah Kwong is one of two leading Hong Kong shipping groups to have succumbed to the worldwide depression in the shipping industry in recent months. C. H. Tung, which has a 110-vessel fleet, floundered late last year with more than 100 creditor banks owed a total of US$2.6bn. A long-term reconstruction plan was submitted to creditors almost a month ago.

Mitsubishi Electric slides 36%

BY YOKO SHIBATA IN TOKYO

MITSUBISHI ELECTRIC of Japan showed a 36 per cent decline in group net profits to Y30.05bn ($179.24m) in the year to March, reflecting a slump in the world semiconductor market combined with the deterioration in export profitability caused by the stronger yen.

It suffered an exchange loss of Y24.1bn resulting from the yen's rise. Consolidated sales advanced by 3.7 per cent to Y2,109.48bn. Sales of consumer products rose 18 per cent to Y610bn, industrial products and automotive equipment 10 per cent to Y405bn, and heavy machinery 1 per cent to 581.7bn.

But turnover in information and communication systems and electronic devices fell 11 per cent to Y512.6bn, attributed to a 36 per cent slide in semiconductors to Y127bn.

The group's two US subsidiaries, Mitsubishi Electric America and Mitsubishi Semiconductor America, fell into the red due to the poor market for semiconductors and personal computers.

The consolidated results cover 28 subsidiaries and 117 equity-accounted affiliates. They also reflect parent company pre-tax profits of Y40.3bn (down 52.6 per cent), net profits of Y24.5bn (down 29 per cent), on turnover of Y1,820.99bn (down 2 per cent).

For the current year, a revival is forecast in demand for information and communication systems and electronic devices, which are expected to allow a 22 per cent rise.

Full-year group net profits are nonetheless projected at Y28.5bn, down a further 5.1 per cent.

Tata agrees to assist GKW

BY P. C. MAHANTI IN CALCUTTA

AN AGREEMENT has been reached between Guest Keen Williams (GKW), the Indian subsidiary of Guest Keen Nettlefolds of UK, and Tata Iron and Steel Company. Under it Tata Steel will provide managerial and technical assistance for improving operations of the Williams steel division which constitutes the largest part of the engineering company's activities.

The division makes a wide variety of alloy steels and products in which Tata Steel is a highly efficient producer and is planning to increase the range of its own operations. No financial commitment on Tata's side is involved but the Tata group already holds 5 per cent of GKW equity and has a nominee on the board.

CKW plans to diversify into constant velocity joints for the motor industry, and a range of electronic goods for precision machining.

Despite a 13 per cent increase in turnover last year to Rs 2.09bn ($165.1m), CKW incurred a loss of Rs 17m compared with a small profit of Rs 5.2m in 1984. The forging division will be closed as no buyer has been found.

The pressure of rising input costs has cast a shadow over its future prospects. A management consultant has been appointed to review its operations and to examine the management system ahead of a restructuring. Mr K. B. Lall, the chairman, told the annual meeting.

Kyodo Oil and Cosmo in deal to end dispute

KYODO OIL and Cosmo Oil, two Japanese energy companies, have agreed to swap shares in two jointly held refining affiliates and cut refined product sales to each other in a move to end a five-year operating dispute, AP-DJ reports from Tokyo.

Under the agreement, Kyodo Oil will buy Cosmo's 13.5 per cent share in Fuji Oil, a small refining company in which Kyodo already holds a 30.35 per cent share. In return, Cosmo will purchase Kyodo's 33.3 per cent stake in Asia Kyoseki, a refining company which Cosmo currently controls through its Asia Oil affiliate.

The companies said the purchases would be made through a stock swap, in which 6.4m shares of Asia Kyoseki would be valued on a par with 2.7m shares of Fuji Oil.

Kyodo has also agreed to reduce by 20,000 barrels a day its purchases of refined products from Asia Kyoseki. The cut, to be made gradually over the next three years, will leave Kyodo with access to 60,000 b/d. Asia Kyoseki operates a 130,000 b/d refinery at Sakaide in southern Japan.

Bata Pakistan depressed by higher material costs

BY MOHAMMED AFTAB IN ISLAMABAD

BATA PAKISTAN—an affiliate of the worldwide shoemaker, increased sales by 1 per cent to PRs 732.5m ($43.17m) in the year to December 1985, but pre-tax profits fell to PRs 57.95m from PRs 79.47m.

Net profits of PRs 38m showed a decline of PRs 9m, and no dividend was paid for the year compared with distribution of 33.5 per cent in 1984.

The high cost of imported and domestic raw materials, and of imported capital goods, affected the result. Another negative factor was the depreciation of the Pakistani currency which operates on the basis of a managed float against the dollar.

Bata Pakistan is 45 per cent owned by Leader of Switzerland and 25 per cent by Witoo Bermoda. This foreign holding is being reduced to 60 per cent.

Brierley buys more Rothmans Industries

By Our Financial Staff

BRIERLEY INVESTMENTS, Mr Ron Brierley's New Zealand-based master investment vehicle, has been acting to complement its recent diversification moves abroad—notably into the British vehicle dealership business—with an expansion of its already sizeable domestic presence.

Brierley announced in Wellington yesterday, that it had boosted its stake in Rothmans Industries, the New Zealand 21 per cent affiliate of Rothmans International of the UK, from 4.16 per cent to 17.1 per cent.

On the Wellington Stock Exchange, Rothmans Industries shares jumped NZ$1.15 to close at NZ$5.58 as the news emerged. Apart from cigarettes the company is involved in liquor, grocery distribution and property development.

The move follows Brierley's bid on Friday to take full control of Andas Group, the office equipment supplies company in which it has an existing holding of some 44 per cent.

INTERNATIONAL COMPANIES and FINANCE

Francis Ghiles on moves to contain a sharp fall in foreign income

Algeria puts its house in order

RECENT SPECULATION that Algeria may have to reschedule its foreign debt in 1987 or 1988 appears to be wide of the mark. The sharp decline this year in the country's foreign income, 98.7 per cent of which is accounted for by sales of hydrocarbons, is forcing the Algerian authorities to take stringent austerity measures.

The relatively good reception given to the second $300m Euroloan for an Algerian bank this year suggests that the market's appetite for Algerian paper has not quite dried up. Nonetheless an increasing number of banks argue that Algerian borrowers will meet growing resistance if they seek large sums. At the very least, they will have to borrow at higher margins.

Initial forecasts late last winter suggested that Sonatrach, the Algerian state oil and gas monopoly, could suffer a shortfall in its foreign earnings of approximately 40 per cent from last year's $12.7bn.

An average oil price this year of $17.5 per barrel would cut foreign hydrocarbon income by $3.6bn to $9.1bn.

Algeria's foreign debt reached $18.9bn at the end of 1985, according to the Institute of International Finance (IIF). The increase of $2bn over the previous year is not due to any massive borrowing spree but to the revaluation of the non-dollar portion of the debt. Most of the funds which flowed into Algeria in 1984-85 went towards rebuilding hard currency reserves. Excluding gold, these doubled to $2.8bn between December 1984 and the end of last year.

Debt servicing cost $4.7bn last year, of which $1.2bn was interest, and will amount to $3.8bn in 1986 with interest accounting for $1.2bn. If short-term debt is excluded, the debt service ratio amounted to 34 per cent of exports of goods and services last year, a figure which is expected to rise to just over 40 per cent in 1986.

Imports last year amounted to $9.4bn but are expected to decline sharply this year. The investment budget has already been cut back by 28 per cent and other measures to conserve foreign currency are in force. Foreign travel allowances have been cut back by 75 per cent (a measure which is unpopular with the many Algerians who travel abroad privately every year) and certain foreign companies are being asked to agree that the 15 per cent down-payment in cash on new contracts be financed on the same terms as the rest of the contract. Counter purchase agreements could increase exports by about $1bn.

Food, which accounts for just under one-fifth of the total value of imports, should cost about 20 per cent less in 1986 as Algeria enjoys the lower prices and more generous credit terms resulting from the fierce competition between the EEC and the US.

Last year's small surplus on the current account is bound to turn into a deficit this year. Thus the problem over the next 12 months—if the price of oil does not nose-dive again—is one of cash flow.

Algeria would thus require a net flow of funds of about $1.3bn in 1986. Algerian bankers have not resorted to raising short-term funds, in any large amounts, an attitude which is not likely to change substantially.

They also enjoy a reputation for tough bargaining which is well deserved. It served them well when the price of oil was high, though Banque Algérienne de Developement came unstuck last February when the very fine margins it was offering international banks led to the retreat, Indosuez, of one of the two managers, from the loan and a cut in the size from $500m to $300m. Most of it was left with Japanese banks.

The current loan is for the Banque de l'Agriculture et du Developpement Rural, the first time this bank has come to the Euromarkets. It has been better received and a good spread of international banks joined the management group.

This is essentially thanks to more generous conditions for the lenders—a split margin of ½ per cent for five years falling to ⅜ per cent for three years with five years grace. Algeria is expected to seek a further loan before the summer is out.

Algerian state borrowers have always resisted the desire expressed by many international banks to sell part of the paper they underwrite in the market. Some banks have succeeded in obtaining the consent of the Algerian authorities to do so on specific small trade credits, while others have resold the paper without Algeria knowing. The system has, however, enabled the banks in Algiers to keep fairly close tabs on where their paper is held.

Another issue which makes foreign bankers unhappy is what they feel is the lack of "reward" their counterparts in Algiers are willing to give them when they come in to support a major Euroloan, usually priced very finely. Pushing ancillary business in the direction of these banks would earn the Algerians more support than hitherto.

The tension which followed the US raid on Tripoli last April, quite apart from the sharp fall in oil prices, has done little to reassure bankers, especially those who assess risk on a regional basis.

Japanese banks, which in recent years have been active underwriters of Algerian loans, now face greater restrictions on such off-balance sheet risks as letters of credit and confirmations. Algeria could go some way towards placating foreign banks by providing more up to date information in particular on the country's foreign debt: statistics provided by the World Bank OECD and IIF are widely at variance with each other. Secrecy remains the hallmark of many senior Algerian managers, inherited from the days of the bitter struggle against the French a quarter of a century ago but makes little sense to those who lend to the country today.

Many foreign banks are not even aware of all the measures Algerian managers have taken to contain the consequences of the current shortfall in foreign income: that is an absurd situation but one which the Algerian authorities alone can remedy.

ALGERIAN DEBT

	1984 $m	1985 $m	1986 $m
Current account surplus	74	87	—
Debt*	16,000	17,000	—
Annual debt service	3,900	4,700	3,800
Debt service ratio† on medium-and long-term debt	37	34	—

* Inclusive of short-term debt which amounts to $1bn to $1.5bn. † As a percentage of exports of goods and services.

Source: FT and bankers' estimates

Pisa savings bank plans international share placing

BY ALAN FRIEDMAN IN MILAN

CASSA DI RISPARMIO di Pisa, a publicly-owned savings bank, is to become the first Italian savings institution to sell shares outside Italy. The issue involves a L20bn ($13m) placing of non-voting savings shares, some of which will be offered in London, Lausanne and Lugano.

Zelig, a Milan-based investment banking company, is lead-managing the Pisa offer, while the main London bank involved in the underwriting consortium is Morgan Grenfell. The other members of the consortium are Banque Indosuez in Lugano, Banque Bruxelles Lambert in Lausanne and Zelig's UK subsidiary.

The proceeds will be used by the bank to develop financial services.

The L20bn equity issue is to be offered in three tranches: half of it will be placed by the Pisa bank itself, while the other half will be divided into two equal tranches of L5bn each, the first to be placed by the international consortium and the second in Milan by Zelig and four other banks, including Imprefin, a subsidiary of Nuovo Banco Ambrosiano.

Cassa di Risparmio di Pisa had net profits in 1985 of L6.2bn and total assets of L1,325bn. The L20bn share placement represents a 44 per cent increase in the bank's capital base, which at present totals L46bn.

Indications from London are that the international part of the offer has already been placed. In all, the Pisa deal concerns 100,000 shares at a price of L200,000 apiece.

World Bank and Manitoba Samurai issues postponed

BY YOKO SHIBATA IN TOKYO

WORSENING market conditions have forced postponement of the first continuous issue of yen-denominated Samurai bonds, by the World Bank, and of the first Samurai "bought deal" arranged for the Canadian province of Manitoba.

As a result, it is unlikely that any Samurai bonds will be issued in June. The last such month was November 1985.

The World Bank shelved the signing of a contract, a day before the scheduled signing last Friday, for Y30bn of continuously issuable bonds. These bonds were to be treated as a single issue bearing identical coupons, and maturity and interest payment dates, but with variable issue prices.

Flotation of the 12-year Manitoba issue, claimed to be the first Samurai "bought deal" as opposed to those priced using the conventional "indication" formulae, had been scheduled for this week. It was officially postponed after a protracted struggle over the terms.

Despite recent sweeping reforms of issuing conditions, the volume of new Samurai bonds has been rapidly declining. The volume issued in the April-June 1986 quarter is expected to be around Y100bn, less than one-third of the year-earlier level of Y390bn.

The flight of non-resident borrowers to the Euroyen bond market, and a succession of issues with terms in defiance of the deteriorated domestic Japanese bond market conditions, have undermined the Samurai market.

Bull and bear bonds in Euroyen from SEK

By Alexander Nicoll

SWEDISH EXPORT Credit (SEK), one of the Eurobond market's most innovative borrowers, today launches the first of two Euroyen bonds of which the redemption amount is linked directly to the performance of the Japanese stock market.

Today's will be a "bull" bond, on which the redemption amount increases if the Nikkei Stock Average rises, and can decrease substantially if the market shows no improvement. Conversely, the "bear" bond, due to be issued tomorrow, will have a higher redemption value if the stock market weakens, and a lower value if stock prices rise.

Though investors are thus invited to take a view on the stock market, SEK itself is not exposed. The redemption values balance each other out, leaving the borrower to repay 85 per cent of the combined total whatever happens to the stock market.

SEK can swap the proceeds of the bonds, each for Y10bn, into funds at well below London interbank offered rates.

Though the issues, both being lead-managed by Daiwa Europe, are being sold internationally, they are expected to appeal particularly to Japanese investors. The coupon on the five-year bullet bonds will be 8 per cent in both cases, above current levels.

The bull bond could attract institutions which have reached their limit for equity buying, while the bear bond could be used to hedge equity market positions—stock index futures are still illegal in Japan.

Today's issue is to be priced at 101¼. If the Nikkei Stock Index, which rose to a record high of 17,008 yesterday, reaches 27,919, the redemption value will be 110.59. If it goes to 25,606 redemption value will be par. If it stays at around current levels, redemption will be at only 60 per cent.

On the bear issue, redemption value will be 110.59 if the stock market holds to current levels, will be par with an index value of 19,184, and will fall to 60 per cent if the index is at 27,919.

World stock markets, Page 35

Market-maker rules run into opposition

By Our Euromarkets Staff

OPPOSITION IS mounting in the Eurobond market to some of the proposed rules for secondary market-makers published recently by an organising committee. A stipulation that counterparties to deals done through brokers should be identified to one another is causing particular concern.

Some Eurobond traders aired their views yesterday at an informal gathering, hosted by Bankers Trust, which appeared to help defuse what has become a confused and emotionally highly-charged debate.

The recently formed committee of market-makers, operating under the auspices of the Association of International Bond Dealers but acting autonomously, published the proposed rules in an attempt to set standards — including such straightforward items as trading hours — under which the market makers would undertake to deal with one another.

Many traders agree with the thrust of the proposals, particularly as they are aware that dealers in London, where most market-making takes place, will in any case soon have to submit to codes of practice under new UK investor protection law.

But the rules have resuscitated a thorny question for the markets: the role of brokers. Although the Eurobond market was dealer to dealer at first, brokers set up in London some 10 years ago and were successful partly because US firms were accustomed to the anonymity which brokers provide.

Some traders interpret the latest proposals as the "old guard" attempting to reassert itself in the market, believing that brokers may deal directly with dealers' end-customers instead of confining themselves to inter-dealer business. Brokers fiercely deny this.

The proposed rules envisage a list of recognised inter-dealer brokers, which undertake only to transact business between reporting dealers. Before the end of each day, the identities of dealers in all such trades would be disclosed to each other. The effect would be to reduce the incentive to go through brokers.

The proposed rules will be discussed at a meeting in London on July 11. Forms containing invitations are in many cases being returned blank so that dealers do not appear to commit themselves to the new rules before attending.

Triple A rating given to Marks and Spencer deal

BY CLARE PEARSON

MARKS AND SPENCER became the first retailer in the world to launch a Eurobond rated triple A by both Standard & Poor's and Moody's yesterday. The bond is also one of the very few issues for a UK borrower to be accorded this rating. The $150m offering is led by Credit Suisse First Boston.

The 8¼ per cent 10-year bond was priced at 100¼ to give a spread, net of fees, at issue of 45 basis points. Launched when the market was in an optimistic mood after seeing New York price gains, the issue traded at discounts to issue price within its 2 per cent fees.

Proceeds will be swapped to provide sterling floating-rate funds at a rate below London interbank offered rate. This is the first Euromarket offering for Marks and Spencer which plans to spend about £1.6bn over the next few years on expanding its UK operations. Part of the proceeds of this issue will fund its credit card operation started last year.

Tesco, another UK retailer, launched a novel 20-year issue into the sterling domestic market, with a £125m nominal unsecured deep-discount loan stock. This was the first such financing issued as a domestic loan stock, although Safeways launched a deep discount Bulldog bond last year.

Tesco's issue was priced at 48.835 per cent with a coupon of 4 per cent to give a semi-annual yield of 9.913 per cent.

Floating-rate instruments continued to occupy new issues managers' attention. Banque Paribas Capital Markets launched a $100m 10-year floating-rate note (FRN) for Centrust Savings Bank, a Miami savings and loan institution. Interest payments were set at 15 basis points over six-month London interbank offered rate (Libor), and issue price par. The payment date was set on July 8, the day on which the EEC will pull its outstanding FRN. This feature helped the bond to trade well within its 20 basis points commissions.

Relatively high-yielding Canadian dollar Eurobonds have begun to attract investor interest recently as the Canadian domestic market has improved along with New York, dealers say. Two borrowers took advantage of this yesterday.

Shearson Lehman Brothers International launched a C$50m collateralised bond for Vancouver City Savings Credit Union, rated triple A. This was the first rated Eurobond backed by non-US mortgages. It is backed by a pool of residential mortgages guaranteed by Canada Mortgage and Housing, a Crown corporation. The five-year 9¾ per cent bond was priced at 100⅞.

Goldman Sachs launched a C$75m three-year bond for Den norske Creditbank, the Norwegian commercial bank. The coupon was also set at 9¾ per cent, though issue price was 101. Both new Canadian dollar deals traded slowly.

Dealers in Euroyen say the market is nervous ahead of the Y170bn or so new paper to enter the market soon from issues for foreign banks. The Japanese Ministry of Finance has granted permission for foreign banks to issue Euroyen bonds, effective from the first of this month.

Additionally, certain Japanese financial institutions are now allowed to issue, and the first such bond surfaced yesterday. This was arranged by Bank of Tokyo International for Bank of Tokyo. The Y15bn 6⅛ per cent seven-year bond was priced at 100⅛.

The D-Mark sector traded thinly despite the improvement in other markets, as dealers are concerned about the DM 16.9bn of new paper time-tabled for this month. Deutsche Genossenschaftsbank launched a DM 200m six-year bond for Banque Exterieure D'Algerie. The coupon was set at 6⅞ per cent. The bond met a poor reaction. Bankers said it compared poorly with issues for better rated West German banks at comparable yields in the domestic market.

Westdeutsche Landesbank priced its recent DM 50m equity warrants bond for Suminoe Textiles with a coupon of 1½ per cent. The exercise premium on the warrants was set at 2½ per cent over the share price, to give a price of Y459. The foreign exchange rate was set at Y75.99 to the D-Mark.

The Swiss franc market also traded thinly with no bonds dealt in for the first time. A SFr 100m eight-year bond for Asian Development Bank was priced by lead-manager Credit Suisse with a coupon of 5¼ per cent.

Banque Gutzwiller Kurz Bungener said it had launched a SFr 12m 10-year bond for MVG Mode Verwaltungs, the West German company. The coupon was indicated at 6½ per cent, but final terms will be set on July 3. Priced at par, it will be callable in five years' time at 102½.

● Following last week's three floating-rate certificate of deposit (FRCD) issues, taking advantage of current investor appetite for short-dated floating rate instruments, two more were added to the market. Mitsubishi (London branch) issued a $200m FRCD through Mitsubishi Finance. Due June 30 1991, it pays six-month London interbank bid rate flat, and is non-callable. Co-managers were invited into the par-priced issue at 99.82. Merrill Lynch led a $100m FRCD for Saitama Bank, also five years' maturity. It yields ⅛ point below London interbank offered rate. The issue price was par and co-managers were invited into the issue at 99.78.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on June 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Metals Ex increases Hampton bid

BY STEFAN WAGSTYL

Metals Exploration, a company controlled by Australian entrepreneur Mr Alan Bond, yesterday raised its bid for **Hampton Gold Mining Areas**, the natural resources group, from £35.5m to £40.9m, only hours after Hampton published its defence to the original offer.

Metals Exploration further increased the pressure on the Hampton board by revealing that it had bought 4.95 per cent of the equity in the market, raising its stake to 17.6 per cent, and that the offer had been accepted by holders of 0.1 per cent of the equity.

In addition Metals Exploration said it had received an undertaking to acept the offer from investment clients of Montagu Investment Management holding 9.4 per cent of the equity—taking support for the offer to 27.1 per cent.

Stockbrokers said that the improved offer of 150p cash a share—up from 130p—could well be enough to clinch the bid. Hampton shares closed yesterday down 2p ot 150p. The company has interests in Australian gold and nickel, coal mining in the UK, mining equipment manufacturing and UK and US oil and gas.

Mr George Livingstone-Learmouth, Hampton's managing director, said that the increased offer was an attempt to rush shareholders into making o decision. Metals Exploration could not possibly have had time to study Hampton's comprehensive defence document, he said.

In its circular rejecting tha offer, Hampton, published an independent valuation, valuing its net assets at £56m or 205p a share.

It also disclosed its results for the year to tho end of March, which showed o slight increase in pre-tax profits from £2.37m to £2.38m, with a strong recovery in the second half of the year making up for a decline in profits in the first six months. Turnover was up from £12.2m to £17.6m.

However, the company's attributable losses rose from £6m to £8.17m after a £10.1m extra-ordinary charge (£7.66m), which was the result of writing down the company's interests in Balmoral and Glamis oil fields in the North Sea, in New Court Resources, and in other oil assets, following the decline in energy prices.

These charges left the company with a deficit on its distributable reserves and therefore unable to declare a final dividend. The interim payout was 1p, against a total of 3.75p last year. Mr Livingstone-Learmouth said the directors were actively examining ways of eliminating the deficit so that o dividend could be paid to reflect the improvement in the trading results.

Mr Livingstone-Learmouth said that Mr Bond was interested only in Hampton's Australian gold ventures—the Jubilee and New Celebration projects. "He bas shown that he can spot a bargain."

Mr Vincent Thompson, a senior assistant director of merchant bank Morgan Grenfell which is advising Metals Exploration, said that the assumptions behind Hampton's valuation of its assets were optimistic, some of them highly optimistic.

Metals Exploration intends to post its revised offer document today.

Blick makes poor debut

By Richard Tomkins

Blick, tho Swindon-based supplier of clocking-in equipment and radio pagers, made a poor debut on the stock market yesterday when its shares anded first day dealings at 133p, o 14p discount to the offer price of 147p.

The offer for salo was badly undersubscribed last week when only 735 applications were received for 2.5m of the 7.3m ordinary shares on offer, leaving tha remaining 66 per cent in the bands of the underwriters.

Some analysts felt that too higb a price had been sought for whot they saw as an unexciting business, but Blick is not the only new issue to bave met a poor response in the last few weeks.

The offer for sale of shares in Mrs Fields, the USM-quoted cookie store operator, in May left 84 per cent of the issue with the underwriters and its shares, offered at 140p, are now at 125p.

Lopex, the marketing services agency, offered 3.15m shares at 145p on June 2 and had received applications for only 51 per cent of the stock wben the lists closed last Friday. The company is now swaiting the result of its own debut on the stock market: dealings begin on Friday, June 13.

Northern Foods completes sale of US pork operations

Northern Foods has finally completed the sale of its remaining Prestige Foods Corporation subsidiaries in the US for about $40m.

Prestige, originally known as Bluebird, was acquired in 1979 for $72m in what Mr Chris Haskins, the Northern Foods deputy chairman, admitted was "a piece of poor business judgment."

The company began making closures and divestments in 1983 and in December 1984 sold Patrick Cudahy—one of the largest businesses in Bluebird—for $29m closely followed by the sale of its slaughterhouse business.

The latest sales are DAK Foods Inc to the East Asiatic Company for abont $35m and Southern Belle Foods Inc to its own senior management for about $5m.

DAK is a reasonably successful business whicb last year mada pre-tax profit of about $2.5m. The consideration—which is divided between $16.8m for the equity and $19m in an inter-company loan—is calculated by Northern Foods to provide a net profit of abont $7m.

The sale of Southern Belle Foods for about $5m is expected, however, to cause a loss of about $7m. The company, whicb is expected to lose about $1m this year, is a processor and distributor of pork products.

"The old pork commodity buisness is on the decline in the US," said Mr Haskins.

Mr Haskins said he thought the total loss to the company from the Bluebird acquisition, althougb difficult to calculate precisely, was probably close to $26m. The $40m received from the two letest deals will go to reduce borrowings.

US expansion for B. Elliott

B. Elliott, a machine tool and engineering group, bas acquired Weldon, a design and manufacturer specialist safety lighting equipment and systems based in Ohio, US.

An initial cash consideration of US$3.1m (£2.07m) has been paid. In addition, deferred consideration up to a maximum of $650,000 is also payable. A secured advance of $300,000 has been made to tha vendor sharebolders.

Earnings before taxation of Weldon for the year to 31 January 1986 amounted to $825,000 are $1,300,000.

Coloroll in £2.5m deal

BY OAVID GOODHART

Coloroll, the acquisitive home furnishings group which recently failed in its £14m bid for Staffordshire Potteries, bas taken its first step into textile manufacturing with the purchase of the private company Alexander Drew for £2.5m.

Drew, is in contract printing of fabric for the home furnishing trade, and pre-tax profit for the year ending September 30 1986 is forecast to be £750,000 on turnover of £5.5m.

Drew will become part of Coloroll's home furnishings division which merchandises various home textile products. Mr John Ashcroft, tho Coloroll chairman, said: "Drew will provide Coloroll with an efficient printing facility which is well suited to print some of our textila requirements. It is a logical extension of our home furnishings division."

Coloroll aims to increase its own-label production for chain stores in a number of different product ranges. It may make further acquisitions in textiles. This latest deal is being paid for in cash and is estimated to increase gearing from 27 to 37

Consortium in agreed £11m bid for M. Ford

By Lionel Barber

A CONSORTIUM of fashion retailers and property developers yesterday announced an agreed £11m bid for Martin Ferd, the loss-making ladieswear retailer.

The consortium is using a vehicle, Iridium Investments, to make the bid which valnes Ford at 70p per share. Iridium has bought a 32 per cent stake in Ford and certain Ford family members and their trusts have sold 8.8m (56.3 per cent) at the offer price.

Ford shares which initially rose 2p, closed unchanged at 78p.

Among the consortium members are Mr Irvine Sellar, a former retailer turned property developer; Mr Nicholas Wallis and his father Jeffrey who were principal shareholders of Wallis shops until they sold out to Sears Holdings in 1980; Mr Ronald Aitken, the company doctor wh ois to be chairman of the new group; Ms Marlene David, merchandising director of Mothercare until 1983; and Mr Irving Aronson, merchant bankers. Mr Edward Leighton will also join the new Ford board.

Martin Ford sells womenswear and childrens' wear through 39 retail outlets in London, East Anglia, the Midlands and tho Home counties.

For the year ending last November, tho group made pre-tax losses of £285,000 (£49,000 losses) on little changed turnover af £7.22m (£7.28m).

Mr Sellar said Martin Ford was still losing money and needed new capital. The consortium plans to change the image of the shops, aiming to appeal to the 16-30 age group, and trading under a new name, Pulse.

Mr Sellar said that the consortium had taken a close look at Ford's asset position. One possibility was to do a sale and leaseback deal on some of the shops (which are mostly freehold).

Mr Sellar beads Heron Sellar Properties, an association between Sellar Morris Properties and Heron Corporation, the property development group run by Mr Gerald Ronson. "We could do something with Heron—or any other person," Mr Sellar said.

Ford is being advised by Singer & Friedlander on the sale. Iridium has no merchant bank adviser. Mr Sellar said; But be added that Prudential Bache, the US investment bank, had underwritten the deal ond had offered advice.

The balance of shares not owned by Iridium and Ford have been bought by institutional clients of Prudential Bache Securities, Down de Boer & Duckett who have irrevocably undertaken to accept the offer.

Progress seen at Inchcape

Sir David Orr, the chairman of Inchcape, in his last address to shareholders told the annual meeting yesterday that some of the rationalisations carried out in the latter part of 1985 would take a little while to show through, but he believed that the full year would show better results.

The group suffered a sharp downturn in the second six months of last year, but the chairman stated that South East Asia, where there were losses of £10m against profits of almost £18m, was already trading profitably.

Inchcape's strategy was to develop its core businesses, he said, and international trading still had considerable potential especially in areas such as Hong Kong and South East Asia.

Although tea prices were below their peak, the company's high quality businesses in Assam continued to do well.

Dominion Int. held back by oil price rise and fluctuating dollar

Dominion International, the holding company with interests in financial services, property and natural resources, was held back in the 1985/86 year by the fluctuating US dollar and the result of its now-consolidated offshoot Southwest Resources.

The result was 19 per cent ahead at £11.04m for the period to March 31 1986, bot this rise masked a currency translation deficit of £650,000. Assets are similarly reduced in the balance sheet, and Southwest, affected by oil industry conditions ond the ti nmarket, was also marked down.

Mr Max Lewinsohn, the chairman, says that despite these unfavourable factors the balance sheet remains strong with net assets in the region of 90p per share fully diluted.

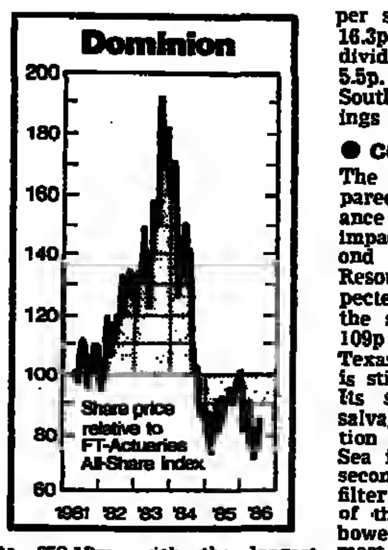
The financial services division became the most significant cource of earnings in the year, adding £1.74m more at £5.32m. The property side saw profits slip to £3.21m (£3.33m), while natural resources profit came to £3.63m (£3.16m).

The chairman says that thla pattern of growth and concentration in the financial sector is likely to be maintained as existing activities develop and a wealth of new opportunities arise at home and abroad.

"With this in mind, Dominion is considering ways to reorganise the group to more adequately reflect its underlying valne as a meture company predominantly in the financial services sector," says the chairman.

Strategic acquisitions in the financial sector are now under active review, be adds.

Turnover rose from £45.21m to £58.13m, with the largest proportion coming from property with £27.66m (£21m). Financial services added £20.14m (£15.2m).



Southwest, which reported turnover of £10.34m against £9.01m, was affected by the oil price fall and by the closure of its tin mining venture in Cornwall, which resulted in an extra-ordinary debit of £3.57m and whicb has been written off in full.

Oil and other assets in the balance sheet were also affected, and in addition carrying valuea have been written down, reducing net assets to £20m or 39p per share.

The chairman says "unless there is a startling recovery (in oil prices) the likelihood of lower revenue from existing production must be recognised."

Dominion group saw earnings per share rise from 13.43p to 16.3p diluted, and the ordinary dividend is raised by 0.5p to 5.5p. There is no dividend from Southwest, which reports earnings down at 6.96p (7.39p).

● comment

The City bad been well prepared for a lack lustre performance from Dominion, given tho impact of the oil price shock ond tin crisis on Southwest Resources it could have expected little else. Nonetheless the share price fell by 4p to 109p yesterday. With wells in Texas and Louisiana, Southwest is still in profit, but only just. Its second half profits were salvaged by the first cootribution from the sale of its North Sea interests to Ultramar, the second contribution should filter through to the first balf of this year. Dominion haa, bowever, opted to make the most of the oil shock by bargain buuting among the forced sellers of the US oil industry. After a pedestrian performance in 1985-86, the property division sbould be buoyed this year by the first contribution from La Manga and by the disposal of Dominion's commercial interests. The commercial portfolio should produce £20m over the next two years which will be used to reduce borrowings. Once borrowings have been whittled away to a more manageable level, Dominion will concentrate on acquisitions in the financial services field which emerged, for the first time, as the chief contributor last year. Given that the Southwest contribution sbould fall by £1m or so this year, the City expects profits of £12.5m producing a p/e of 4.5, which fails to reflect the potential of financial services.

Little change at Property & Reversionary

Net rental income at **Property & Reversionary Investments** increased by 13.5 per cent from £3.23m to £3.85m in the year to March 31 1985, but pre-tax profits were only fractionally higher at £2.58m compared with £2.56m.

There were no dealing profits during the year, and with few capital allowances available, the tax charge increased to almost full rate and took £983,000 against £390,000. This reduced the earnings per share from 8p to 5.9p.

Following a revaluation which included new acquisitions totalling £6m, the value of tha group's properties increased by 16 per cent. The net asset value per share was 292p at the year-end—and increase of 7.4 per cent over the previous 12 months figure of 272p.

The final dividend is increased from 2.85p to 3p net for a higher total of 4.5p (4.1p).

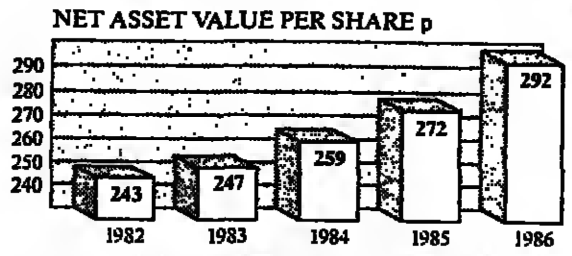
After a transfer of £68,000 (£420,000) to capital surplus and dividends of £1.23m (£1.12m), retained profits were down from £1.05m to £373,000.

The directors say tha percentage loss of rent due to voids has been virtually halved during the year and now stands at 3.39 per cent. A number of refurbished schemes in the West End of London are being actively pursued which will be financed by fixed interest borrowings.

Siebe lifts APV holding

Kleinwort Benson, merchant bank advisers to Siebe, the safety products and engineering group, wbich is bidding £220m for APV Holdings, bas bought o further 100,000 APV shares taking the bolding of the Siebe camp from 14.8 to 15.1 per cent.

Kleinwort bought the shares ot 670p on Friday, taking the Siebe combined holding to 4.8m. Siebe bas acceptances from the holders of a further 0.8 per cent to its original bid, which was increased on Friday.



Tesco raising £60m for store expansion plan

BY TERRY POVEY

Tesco is raising £60m through an unsecured loan stock issue to help finance the supermarket group's £260m capital spending plans for this year. Most of the investment will be on new stores and refurbishments.

Before this funding move, analysts were forecasting a small cash outflow for 1986-87 given the scale of capital expenditure planned. At its February 22 year-end, Tesco had a cash surplus of £49.1m following the rundown of its £145m April 1985 rights proceeds.

The aim for Tesco is to raise the quality of its goods and the appearance of its superstores so as to challenge Sainsbury's pre-eminence in the food retailing market. In May, Mr Ian MacLaurin, group chairman, said that marketing surveys had shown that Tesco, with 11m customers a week, was gaining from its new "quality image." Sales margins rose a full point to 3.7 per cent in the year to February.

Last year the group invested £225m on capital projects, including £186m on the opening of 15 new stores — one of which was its 100th superstore. This took the group's total net selling area to 7m sq ft spread over 364 stores.

No slackening in the pace of spending is on the cards this year—with 11 new openings planned plus two extensions to bring in another 400,000 sq ft of sales space. Tesco has also entered into a joint-venture development with Marks & Spencer at Cheshunt, Hertfordshire.

Mr Ian MacLaurin, chairman of Tesco

For the year to February, Tesco had pre-tax profits of £122.9m, up strongly from the £81.3m in the previous year. Earnings per share were 19.29p (15.18p), including the net contribution from property sales.

The unsecured 2006 loan stock was priced yeaterday so as to give a yield on the issue of 9.913 per cent, a margin of 0.8 per cent over the UK Treasury 13.5 per cent Government bond due 2004-2008.

See Capital Market, Page 34

Ladbroke and BAT in talks on Gimbels stores

Ladbroke Group, the hotels, property and betting concern, confirmed yesterday that it has had informal discussions with BAT Industries ebout making a bid for two of the famous Gimbels department stores in New York.

BAT announced in January that it was hoping to raise over $600m from the sale of half of its reteil business in the US. Last month, it said that about 40 per cent of the shops on the market had now been sold.

Shops whose future was still under negotiation in May included Gimbels New York. Mr Kurt Kilstock, president of Ladbroke's property development subsidiary, London and Leeds Corporation, has had discussions with BAT in the US.

London and Leeds has grown rapidly in the US io the past few years and its present properties include the 275,000 sq ft Manhattan Tower and the new Wall...Street headquarters of Barclays Bank.

'White knight' approach to Benford

By Lionel Barber

Benford Concrete Machinery, contesting a £20m bid from BM Group, the construction industry supplier, yesterday said it had received an approach from a "white knight" which could lead to an agreed bid for the company. An announcemeot is expected this morning.

BM countered by dismissing the news as a desperate last minute attempt to thwart the bid. It also announced that it spoke for 38 per cent of Benford, of that figure, some 24 per cent relate to acceptances, and 14 per cent to purchases in the market.

Mr Simon Purser of County Bank, BM's advisers, confirmed that many of the acceptances had come from institutions involved in the deal which paved the way for the BM bid last month: the sale of a strategic 29.9 per cent stake in Benford by London & Midland Industrials.

Mr Purser said that "more than 50 per cent" of the institutions who had bought chunks of the LMI stake had subsequently agreed to sell them on to BM. "I think they like the price we are offering and the comercial logic," be said.

Mr Andrew Speak of Kleinwort Benson, advising Benford, said he was cooceroed by the role of the institutions. Kleinwort has already succeeded in persuading the Stock Exchange to investigate the share movement upwards of the BM share price in the days preceding the announcement of its offer.

BM is controlled by C. H. Beazer, the acquisitive housebuilder. Beazer has subsequently bought Benford shares in the market, bringing its stake to nearly 4 per cent.

BM is offering three new shares for every eight in Benford. On the basis of last night's closing price for BM, unchanged at 215p, the offer values Benford, up 8p to 88p, at 80.6p per share. There is a cash alternative equivalent to 79.5p per share.

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David Lascelles and William Hall on the deal between Schroders and Wertheim

Diving for pearls on Wall St

"WE REALLY feel this is an absolute pearl on Wall Street. It's a perfect fit," said Mr George Mallinckrodt, the chairman of Schroders, about Wertheim, the US investment bank in which his merchant banking grou pis taking a 50 per cent stake.

Extravagant praise indeed, even discounting the hyperbole that is usual oo such occasions. Given the recent rather patchy record of UK banks buying their way into the world's largest and most competitive financial market, they are also words one hopes Mr Mallinckrodt does not live to regret.

The deal wil give Schroders a stake in one of Wall Street's smaller but classier investment banks, and enable it to forge the missing link in the worldwide securities net work it has been building up over the last few years. This includes a new stockbroking operation in London and a recently-granted securities licence in Japan which could lead to membership of the Tokyo stock exchange.

Until now Schroders has not been allowed under US lew to enter the investment banking business there because it holds a commercial banking licence through its New York subsidiary, Schroders Inc. But it is selling most of its interest in the bank to the Industrial Bank of Japan, and bopes now to get an early determination from the Federal Reserve Board that it is oo longer a bank holding company.

It is the $120m proceeds of that sale which will finance the Wertheim acquisition.

Wertheim, which was founded in 1927, likes to think of itself as occupying the same sort of niche in the market as Lazard Freres and Dillon Read, although it does not have quite the blue chip contacts of these two firms which have helped them in their mergers and acquisitions work.

It is known on Wall Street as a "major bracket" securities underwriter and a high quality research house in specialist areas like pharmaceuticals. (It is the leading US market-maker in the stock of Glaxo, the UK pharmaceuticals group.)

Whilst it has traditionally kept a low profile it appears to be a highly profitable operation. With 600 staff and offices in Philadelphia, San Francisco, Boston, London, Paris and Geneva, it has been showing returns "in excess of 50 per cent" on capital and has been growing at between 25 per cent and 30 per cent a year over the last decade.

Last year Wertheim's revenues were $180m, and its profit after all deductions except tax was $43.7m. Net assets on December 31 were $98.5m.

Even after the capital injection from Schroders, Wertheim's capital base will be a fraction of the size of some of the major firms on Wall Street like Goldman Sachs and Salomon Brothers. In addition, it does not beve the broad distribotion capacity of the big wire housea like Merrill Lynch and E. F. Hutton. Nevertheless, Mr Frederick Klingeosteln, the chairman, does not see these as major disadvantages.

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Wertheim is ooe of a fast dwindling group of investment banking partnerships on Well Street end in common with companies like Morgan Stanley and Bear Stearns has faced the problem of how to replace its capital when its partners want to retire and take their money out of the business. However, unlike the other two, it has turned its back on going public.

Mr George Mallinckrodt, chairman of Schroders

"We thought about going public but we felt it would not acheive our objectives" says Mr Klingenstein.

The deal with Schroders is "the best of both worlds" be says. "We retain most of the aspects of a private partnership and beve a public partner which gives us a worldwide spread." Aside from providing a continuity of the firm's capital base, Wertheim'a partners stress the strategic nature of the investment. In return for giving Schroders access to a US securities business which they did not have, Wertheim gets a partner with extensive operations in Europe and the Far East.

The Schroder investment is part of a complex restructuring. Wertheim current has a capital of about $75m and this will be increased to around $100m when the reorganisatioo is completed. An undisclosed institution is also involved in putting in additional capital to the restructured firm, which implies that Werbeim's 28 partners will be taking a substantial amount of mooey out of the business. But they will give no indication of their profits oo the deal and stress that the current management team will continue to play an active role in Wertheim's affairs.

"We are more like a European merchant bank in character than most US investment banks, so we would like you to respect our privacy," says Mr James Harmon, Wertheim's vice-chairman.

Since Schroders is paying $100m for a half interest in a company with net assets of $98.5m, Wertheim is selling the stake for twica its trua worth. But while this looks as if Schroders is paying a high price, Mr Mallinckrodt argues the opposite. He cites the recent public flotation of shares in Morgan Stanley (which, as it happens, advised Scbroders on the deal), at two and a-half times their net worth. "Actually, they made a concession to get us in," he said of the Wertheim partners.

Schroders' deal is at least the fifth of its kind by UK institutions in recent years, only one of which has survived. The acquisitions by Mercantile House and J. Rothschild Holdings of, respectively, Oppenheimer and Co and L. F. Rothschild Unterberg Towbin, were both reversed last year for strategic reasons. Henry Ansbacher was also forced to sell back Laidlaw Adams and Peck after being devastated by its losses.

The major remaining acquisition is last year's investment by Robert Fleming in F. Eberstadt and Co.

Mr Mallinckrodt acknowledged yesterday that recent history was not exactly encouraging. But he maintained that Schroders would be structuring its deal in a more secure way thet would ensure a more prosperous relationship.

"The others did not pay enough attention to integrating their businesses," he said. "They treated them as an investment."

There was much more mutual benefit to be derived from this alliance, be claimed. And while the deal is still contingent on clearance from the Fed, plans are already afoot to exchange members of boards and executive committee, as well as to arrange interchanges of staff at many levels within both organisations.

The success of the deal is clearly vital to Schroders' global plans. It would never be eble to build a major securities business in New York by itself; and without a presence in the US equity and debt markets it could hardly consider itself a pleyer of any significance in the financial services business.

Clearing the air at Bremner

BY CHARLES BATCHELOR

Mr James Rowland-Jones, chairman for the past seven months of Bremner, the Glasgow department store group, treats his sbareholders to an unusually vivid account of recent events in his annual report published yesterday.

Mr Rowland-Jones, chairman of Phillips Patents (Holdings) until it was acquired by Bremner last October, bas continued the hard-hitting style he developed when writing in the Phillips' annual report. He took over as chairman of Bremner following the resignation of Mr Michael Bleck, former chairman, and Mr Lionel Casper, another director.

He gives in the Bremner report a detailed account of what be sees as the reasons for Bremner losing £1.03m in the year ended January 1986, before profits from Phillips reduced the loss to £904,266.

"I believe thet shareholders, having seen their company lose some million pounds in a year, which is extremely hurtful, are entitled to the truth and this is what you ara going to get," Mr Rowland-Jones wrote.

Mr Rowland-Jones puts the blame for the loss on the handliog by Mr Black and Mr Casper of cuthacks at the Bremner store in Glasgow, and an unsuccessful takeover hid for George Dew, a civil engineering group.

He also cites the purchase of shares lo Peters Stores, a company which later went into receivership, and attempts to diversify Bremner into a bot alr balloon company, firework companies, an Israeli bank, a cosmetics company, picture framing, tha making of gentlemen's sults, and a pickle and crisp company.

Mr Black was told of the director's dissatisfaction with his conduct and that of Mr Casper, at a board meeting on April 7. "Mr Black expressed the view that he had always worked for the good of the company and its shereholders. Your directors could not accept this view," Mr Rowland-Jones wrote.

At tha end of his five-page account of events, Mr Rowland-Jones wrote: "I hope you have managed to stay the course because all at Bremner is certainly oot despair and gloom."

The reasons behind the merger still held good and the combined group had good property assets and interested poteotial buyers, he added. The company expected to be back at break-even at the half-year and paying a dividend.

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High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	115	Ass. Brit. Ind. Ord. ...	131	—	7.3	5.6	8.0	7.6
151	121	Ass. Brit. Ind. CULS	121xd	−5	10.0	7.6	—	—
120	43	Airsprung Group	120	—	6.4	5.3	20.0	28.1
46	28	Armitage & Rhodes ...	28	−1	4.3	15.4	3.5	4.2
178	108	Bardon Hill	178	—	4.0	2.2	22.6	23.4
72	42	Bray Technologies ...	72	+1	4.3	6.0	5.5	7.8
201	80	CCL Ordinary	80	—	2.6	3.3	5.7	8.9
152	86	CCL 11pc Conv. Pref.	86xd	−7	15.7	18.3	—	—
161	80	Carborundum Ord. ...	161	+1	9.1	5.7	7.8	5.0
94	83	Carborundum 7.5pc Pf.	87xd	−6	10.7	12.3	—	—
65	46	Deborah Services	56	—	7.0	12.5	5.8	7.7
32	20	Frederick Parker Group	23	—	—	—	—	—
112	60	George Blair	110	—	—	—	4.5	6.1
66	20	Ind. Precision Castings	59	+1	3.0	5.1	18.8	13.0
218	156	Isis Group	158	—	15.0	9.5	12.2	18.2
122	101	Jackson Group	120	—	6.1	5.1	8.2	7.3
345	228	James Burrough	328	—	15.0	4.6	10.3	10.3
99	85	James Burrough 9pc Pf	99	—	12.8	13.0	—	—
95	56	John Howard Group ...	57xd	—	5.0	8.8	—	—
1400	570	Minihouse Holding NV	1400	—	8.7	0.6	46.3	64.9
380	260	Record Ridgway Ord.	380	—	—	—	5.8	11.7
100	89	Record Ridgway 10pcPf	89xd	−6	14.1	15.8	—	—
82	32	Robert Jenkins	71	—	—	—	8.2	20.3
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	66	Torday & Carlisle	73	—	5.7	7.8	4.4	4.5
370	320	Travian Holdings	320	—	7.8	2.5	8.7	8.8
67	25	Unilock Holdings	56	+1	2.1	3.8	15.2	14.9
176	93	Walter Alexander	169	—	8.6	5.1	8.6	11.7
226	190	W. S. Yeates	190	—	17.4	8.2	19.0	21.1

Marks & Spencer

INVESTMENT IN PROGRESS

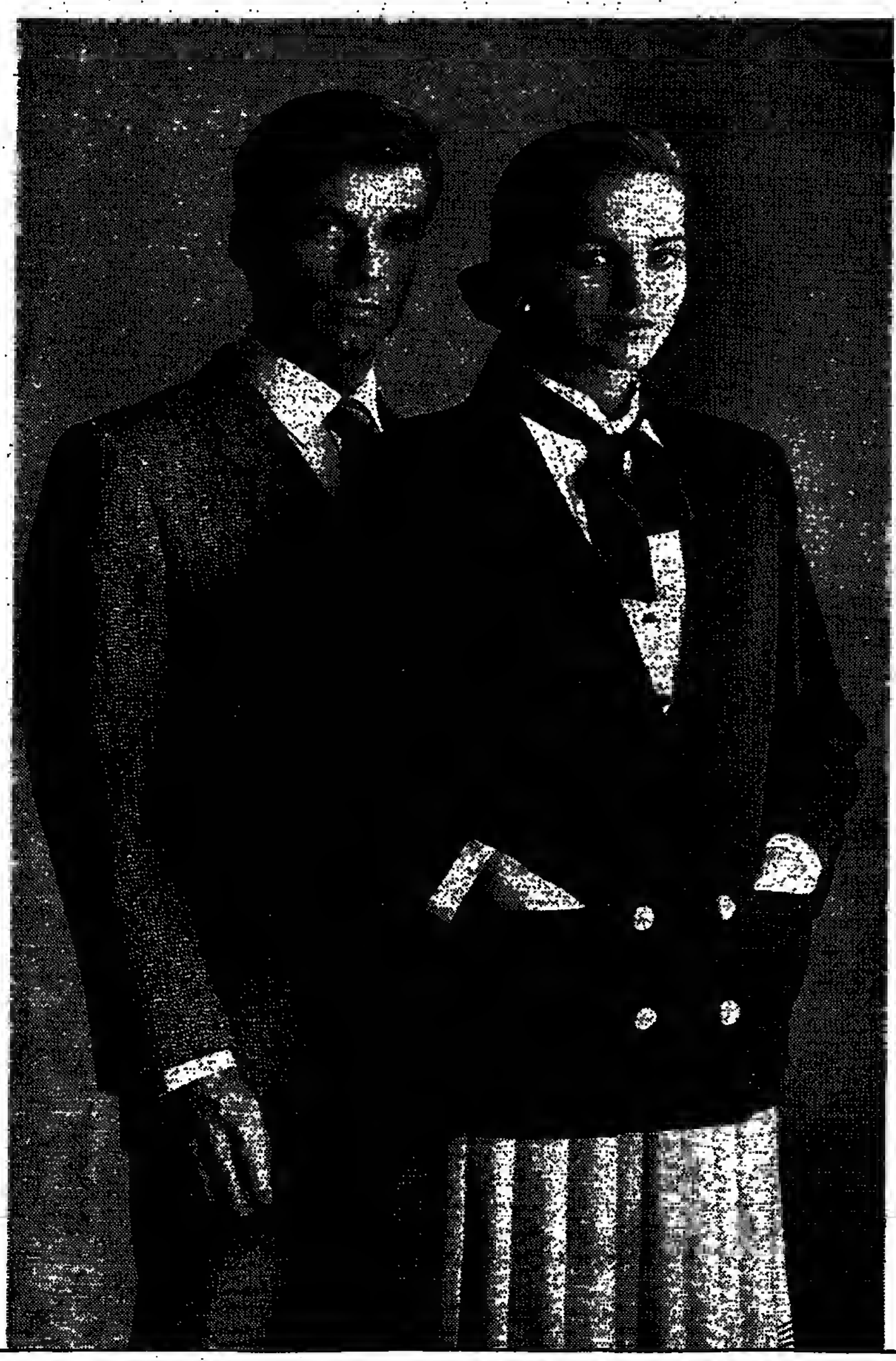
Our major investment programme has now begun.

In the past year, £140 million has been invested throughout the UK, and 44 stores have now been extended or modernised.

By the end of the decade Marks & Spencer will have invested £1,500 million in its UK capital development programme.

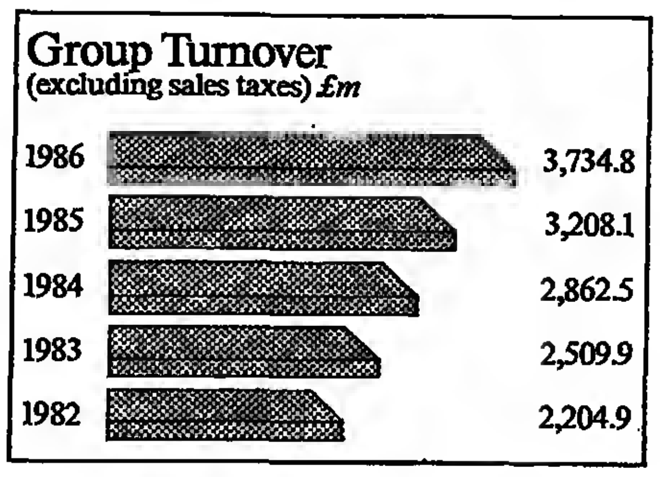
In 1986, over 500,000 sq. ft. of selling space will be added. This will include the first Marks & Spencer out of town development at the Metro Centre near Newcastle.

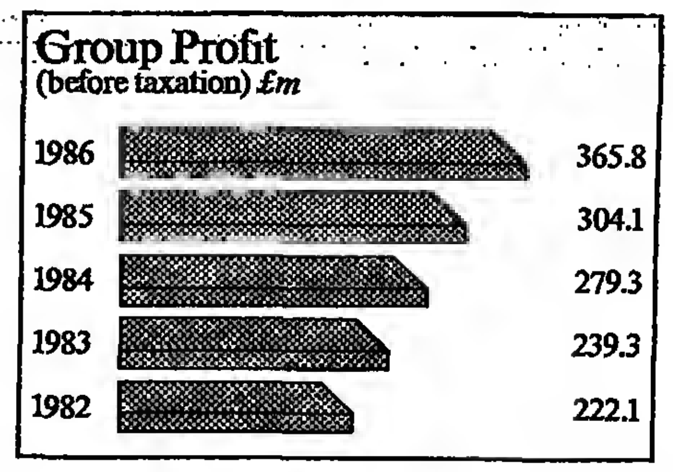
A review of the year, 1985-1986, shows that Marks & Spencer group sales increased by 16.4% to £3,734.8 million and group profits went up by 20.3%. Dividends per share increased from 3.4p to 3.9p.



In the UK, sales of ladieswear and childrenswear showed strong recovery. Menswear, homeware, footwear and foods continued to make good progress.

In just one year, Marks & Spencer Chargecard has attracted over 1.2 million customers and now accounts for 10% of all sales.





Overseas, Canadian sales increased to C$336 million – up 13.9%.

European sales also made good increases, up to £94.1 million – an increase of 14.2%. And for the first time, exports from the UK have exceeded £100 million.

Marks & Spencer has an AAA rating for long term debt from Moody's and Standard & Poor's.

If you would like to receive a copy of the Marks & Spencer Annual Report please complete and send the coupon.

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April, 1986

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NOTICE IS HEREBY GIVEN that pursuant to Condition 7(8) of the 12¼% Notes, US$5,500,000 principal amount of the Notes has been drawn, for redemption on 11th July, 1986, at the redemption price of 101% of the principal amount, together with accrued interest to but excluding 11th July, 1986.

The serial numbers of the 12¼% Notes drawn for redemption are as follows:-

7	35	74	81	86	101	138	149	174	178
182	247	250	251	258	265	270	368	366	387
419	426	434	439	445	474	489	497	502	511
519	528	529	534	598	639	676	680	686	704
725	742	778	794	802	814	825	828	840	848
866	867	872	889	894	895	940	941	971	979
984	987	1021	1033	1039	1091	1092	1114	1148	1148
1153	1186	1221	1259	1292	1302	1310	1312	1330	1341
1346	1348	1412	1423	1472	1479	1484	1518	1526	1538
1555	1610	1817	1623	1643	1648	1663	1672	1736	1774
1777	1780	1789	1804	1808	1820	1840	1842	1854	1872
1885	1899	1921	2061	2091	2103	2127	2137	2148	2157
2180	2231	2296	2313	2353	2413	2420	2432	2443	2460
2487	2493	2499	2514	2532	2547	2600	2601	2618	2631
2690	2716	2731	2754	2820	2827	2848	2854	2872	2893
2900	2912	2935	3071	3099	3145	3158	3175	3186	3181
3211	3247	3259	3280	3292	3293	3297	3310	3334	3373
3391	3398	3400	3414	3436	3462	3468	3481	3506	3522
3526	3538	3547	3560	3603	3606	3609	3637	3669	3671
3695	3714	3717	3720	3725	3740	3768	3772	3792	3796
3806	3840	3851	3874	3890	3896	3921	3922	3935	3947
3958	4010	4014	4028	4044	4063	4074	4075	4081	4083
4100	4110	4115	4130	4147	4150	4157	4162	4190	4197
4198	4200	4233	4296	4337	4338	4358	4361	4368	4402
4408	4428	4441	4459	4471	4483	4486	4496	4519	4520
4528	4543	4549	4556	4568	4583	4586	4599	4613	4627
4731	4736	4795	4814	4824	4840	4875	4882	4906	4933
4945	4981	4997	5006	5017	5028	5054	5080	5109	5152
5154	5155	5158	5159	5168	5170	5179	5181	5207	5235
5239	5243	5264	5279	5282	5299	5308	5317	5354	5369
5416	5426	5450	5455	5484	5514	5516	5539	5560	5584
5596	5633	5635	5645	5709	5727	5770	5773	5797	5800
5831	5854	5867	5944	5949	5951	5968	5993	5994	6025
6032	6080	6094	6096	6107	6119	6126	6148	6171	6191
6229	6247	6260	6276	6280	6282	6326	6339	6358	6362
6367	6383	6394	6401	6438	6449	6468	6501	6510	6549
6567	6576	6650	6652	6670	6677	6683	6703	6734	6760
6828	6842	6845	6886	6899	6931	6936	6937	6962	6968
7040	7056	7061	7068	7079	7081	7101	7103	7170	7172
7175	7186	7241	7268	7270	7277	7278	7281	7289	7290
7299	7310	7318	7335	7355	7367	7414	7440	7452	7455
7456	7464	7474	7477	7515	7551	7580	7611	7626	7650
7651	7676	7687	7711	7736	7743	7762	7792	7812	7823
7845	7871	7872	7881	7882	7895	7924	7941	7972	7974
7987	7996	7998	8016	8032	8047	8050	8096	8103	8115
8126	8141	8155	8188	8202	8208	8211	8218	8253	8279
8284	8289	8298	8313	8316	8326	8355	8365	8375	8376
8379	8452	8454	8487	8525	8529	8533	8560	8597	8634
8641	8649	8714	8716	8758	8788	8797	8807	8834	8835
8847	8893	8906	8949	8965	8972	8991	8993	9010	9014
9019	9058	9074	9091	9093	9105	9109	9110	9149	9180
9217	9226	9242	9267	9272	9285	9323	9332	9334	9335
9363	9368	9372	9376	9384	9406	9413	9414	9428	9434
9443	9464	9472	9505	9509	9556	9566	9598	9610	9637
9652	9681	9704	9715	9762	9768	9772	9782	9793	9806

9807	9824	9825	9844	9852	9855	9865	9867	9884	9893
9903	9908	9910	9914	9925	9929	9931	9954	9958	9982
10014	10031	10040	10064	10078	10085	10146	10147	10186	10194
10197	10209	10252	10256	10303	10322	10352	10358	10378	10399
10421	10424	10426	10447	10494	10499	10608	10679	10685	10691
10704	10710	10716	10726	10727	10774	10792	10824	10853	10856
10860	10874	10897	10900	10927	10943	10965	10970	10987	11020
11030	11046	11047	11060	11077	11086	11092	11098	11106	11113
11119	11122	11165	11192	11201	11230	11251	11262	11267	11281
11325	11359	11369	11370	11383	11397	11411	11427	11429	11459
11471	11492	11496	11502	11507	11553	11592	11669	11713	11714
11731	11745	11747	11783	11794	11815	11849	11872	11887	11888
11903	11919	11975	12014	12023	12029	12041	12064	12087	12102
12103	12117	12154	12176	12197	12225	12239	12245	12280	12305
12326	12351	12362	12366	12367	12371	12374	12396	12398	12408
12447	12448	12455	12467	12474	12475	12498	12500	12512	12529
12531	12653	12667	12680	12686	12717	12739	12740	12743	12749
12777	12822	12836	12854	12865	12867	12880	12887	12895	12901
12945	12949	12965	12966	12982	12998	13017	13031	13033	13036
13061	13083	13114	13149	13182	13199	13209	13232	13238	13239
13251	13302	13311	13330	13331	13344	13374	13400	13409	13452
13458	13468	13500	13520	13535	13558	13564	13579	13585	13597
13603	13613	13633	13683	13706	13716	13734	13764	13769	13783
13793	13815	13840	13847	13878	13915	13963	13968	13970	13993
13997	14028	14041	14063	14086	14132	14133	14135	14181	14161
14205	14222	14228	14246	14283	14300	14306	14321	14328	14344
14377	14381	14383	14384	14387	14391	14393	14440	14468	14473
14504	14515	14518	14534	14538	14588	14603	14626	14629	14672
14751	14768	14790	14835	14854	14863	14870	14879	14961	14959
14965	14979	14988	15017	15043	15045	15051	15091	15120	15124
15145	15166	15197	15225	15249	15257	15272	15283	15291	15295
15385	15386	15397	15403	15407	15438	15441	15445	15462	15505
15512	15525	15532	15536	15638	15663	15670	15677	15695	15703
15720	15747	15749	15809	15848	15854	15860	15903	15980	16036
16046	16059	16076	16079	16099	16100	16142	16147	16196	16224
16247	16261	16285	16295	16298	16299	16304	16315	16317	16353
16371	16377	16388	16397	16416	16420	16460	16467	16492	16499
16528	16538	16583	16597	16623	16651	16658	16669	16706	16717
16726	16731	16749	16768	16785	16789	16832	16854	16875	16897
16902	16948	16970	16973	16974	16983	16993	17027	17033	17091
17115	17116	17138	17148	17149	17171	17179	17183	17214	17219
17257	17326	17339	17353	17362	17366	17383	17386	17404	17428
17451	17467	17471	17485	17494	17497	17502	17520	17573	17608
17661	17683	17687	17709	17731	17736	17743	17744	17748	17775
17801	17804	17808	17837	17851	17864	17900	17905	17910	17918
17950	18000	18023	18029	18043	18068	18073	18093	18095	18126
18127	18160	18165	18171	18179	18186	18182	18214	18223	18224
18292	18293	18300	18410	18426	18429	18466	18478	18491	18509
18526	18553	18562	18566	18567	18591	18603	18627	18652	18675
18685	18688	18697	18712	18730	18774	18777	18784	18809	18828
18838	18868	18881	18895	18921	18931	18952	18995	19026	19127
19141	19171	19174	19182	19204	19232	19252	19272	19314	19217
19345	19376	19381	19417	19421	19469	19479	19504	19520	19530
19542	19543	19574	19604	19636	19658	19673	19692	19694	19735
19736	19782	19840	19845	19856	19860	19867	19945	19966	19978

On 11th July, 1986, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February, 1986, to but excluding 11th July, 1986, amounting to US$239.90 per US$5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 11th July, 1986, upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of the Paying Agents mentioned thereon. After 11th July, 1986, US$13,050,000 principal amount of Notes will remain outstanding.

Mitsui Finance Trust International Limited
Fiscal Agent

APPOINTMENTS

Reorganisation at Burton Group

THE BURTON GROUP has made a series of appointments in the retailing sector, following on from the new organisation structure put in place in November 1985. This established three business sectors for retailing, financial services end property, design and construction. Managing directors bave been appointed for each of the principal retailing divisions. Mr Graham White managing director—stores operation et Debenhams, has become acting managing director of the Debenhams division. Mr Christopher Tideman, buying and merchandising director-menswear, is made managing director of Burton Retail and Principles for Men. Mr Ian Harrison, buying and merchandising director — dising director—menswear, is now managiog director of Top Man and Champion Sport. Mr John Coleman, group planning and financial controller, has been appointed managing director of Top Shop. Mr Martin McNamee, buying and merchandislog director — womenswear, has become managing director for Dorothy Perkins. Mr Roy Booth, chief executive, Evans, is now managing director for Principles for tinue as chief executive, Evans, aod Mr Michael Ellis-Jones as managing director, Harvey Nichols. Mr Edward ... continues as non-executive chairman of Harvey Nichols and chairman of the shoe businesses.

★

Mr Graham Durgan, Mrs Jndy Groves and Mr Steven Mayhew bave been appointed directors of BPP COURSES, a subsidiary of BPP Holdinge.

★

Changes beve been made by THE VICTORIA WINE CO. Former huying controller, Mr David Coxon, has become buying director. Mr Roger Scott, operations director, switcbes to services director with responsibilities for retail services (premises, security, training) personnel and branch administration. Mr David Bedford, huying director, moves to wine development director — a new role with the specific brief of exploring new opportunities and waye of expanding the company's wine trade.

★

Mr John Keating, wbo joined VEE BEE two years ago as general sales manager, has been made a main board director.

Mr Geoffrey Myers has been elected to the COUNCIL OF THE CHARTERED INSTITUTE OF TRANSPORT to be its president for the year commencing October 1. Mr Myers is vice-chairmen, British Railways Board, with responsibility for the total management of the railway business.

★

THE TEESLAND INVESTMENT CO, the bolding company of The Teesland Group, bas appointed Mr Daryl S. Coben to the board. He is a negotiainr for Barrington Laurance Sbops.

★

Mr Jeremy Robin has been appointed president of the DECORATIVE LIGHTING ASSOCIATION. He is a director of Jeremy & Co (Lampshades).

★

WIMPEY WASTE MANAGEMENT, the waste disposal subsidiary of George Wimpey, has appointed Mr J. Ross Ancell as managing director and Mr Ian J. Hart as a director. Mr Ancell has been finance director of Wimpey Asphalt for the past four years. Mr Hart was development manager.

★

AUTOMAGIC HOLDINGS has appointed Mr R. J. Hackman, company secretary, as director to the board of its main subsidiary Automagic Ltd.

★

Mr Marc Hart has joined BOWYERS as general manager/director of sales and marketing. He comes from John Pykes, part of Grand Met, wbere be has been managing director since 1984. He succeeds Mr Bill Findley who is joining the new parent organisation, The Northern Meat Group, in Nottingbam.

★

Mr F. Geoffrey Horsell, the former chairman and chief executive ofFrank Horsell Group has bee nappointed e non-executive director of S. LYLES.

★

COOPERS ESTATES has eppointed Ms Elizabeth Roberts as director of its US property division and Mr Richard Maylam as director of its UK property division.

★

Dr K. G. G. Hopkins has been appointed managing director of CRODA WORLD TRADERS, following the reurement of Mr D. H. Paines. Dr Hopkins joined the board of Croda International in 1985.

★

CONDER GROUP announce tbe following board changes: Mr W. C. Robinson is appointed group managing director, reporting to Mr R. T. Cole, who remains chairman. Mr R. T. Paramor becomes managing director of Conder Soutbern in succession to Mr J. C. Downer, wbo has decided to leave the group. Mr A. E. Simpson is made a director with responsibility for the IEI companies specialising in mechanical end electrical building services.

★

KORN FERRY INTERNATIONAL has reorganised its senior management. Mr Windle Priem becomes non-executive chairman. He will continue to operate from New York where he is responsible for the world-wide financial services division. Mr Stephen Rowlinson, formerly senior partner in London, becomes chief executive. Mr Walter Goldsmith is relinquishing his position as non-executive chairman and director in order to devote more time to his responsibilities at Trusthouse Forte.

★

GA GROUP has appointed Mr Gordon Johnstone executive director—marketing and sales. He was previously personnal director.

★

NEVE ELECTRONICS bas appointed a new director of sales end marketing from July 1. Mr John Andrews joins from Alice Stancoil where he was joint managing director. He succeeds Mr Keith Smith who is taking up a senior position with Ampex.

★

THE COUNCIL OF BRITISH CHAMBERS OF COMMERCE IN CONTINENTAL EUROPE has appointed the following to serve as officers for 1986-87: Mr Robert Brooke, deputy chairman of the Netherlands-British Chamber of Commerce, and partner in Price Waterbouse, was elected president; Mr Michael Bamber, immediate past president of COBCOE and managing director of Richard Ellis, Brossels; Mr Bruce Dawson, director, Sociedade Commercial Garland, Laidley and Co, Lisbon, and immediate past chairman of the British-Portuguese Chamber of Commerce; and Mr Murray Land, council member of the British Chember of Commerce in Spain, end partner in Price Waterhouse, have all become vice presidents.

★

Dr Alan G. Rutherford, head of research and development, becomes blending and bottling controller, and joins the board of THE DISTILLERS COMPANY (BOTTLING SERVICES), taking over the duties of Mr Alfred Horsfall, who will be retiring at the end of July. Dr Charlie S. Potts bas been appointed head of research end engineering responsible for Glenochil research station and group central laboratory, as well as reteining responsibility for the engineering department.

★

Mr Richard Turton, e partner in Spicer and Pegler, has been appointed chairman of the newly formed INSOLVENCY PRACTITIONERS' COMMITTEE of the Institute of Chartered Accountants in England and Wales. He has also been co-opted to membership of the Institute's Council.

★

Mr Ralph Hillman, managing director of THOMSON DIRECTORIES, is to leave after his three year appointment to take up a eenior appointment in the US. He is to be replaced by Mr Bill Garlland, currently vice president of Donnelley Information Publisbing, New York.

★

LONDON AND NORTHERN GROUP has made the folowing appointments. Mr J. V. Crean, divisional director and managing director of the Fletcher Gronp, is to lead the group's building activities. He has been with the group sioce 1972. There are three appointments to the board of divisional directors. Mr P. A. B. Prosser, who has been with Pauling since 1966, has been eppointed managing director of that company and leader of the group's civil engineering activities. Mr D. G. Alderson, who has been managing director of Eskett Quarries since 1970, manages the group's UK quarrying interests. Mr I. G. M. Dalgleish leads the group's communicetions interests and is the founder end managing director of Tactico (Holdings).

CONSTRUCTION CONTRACTS

£12m orders for Tarmac Construction

Roadworks in the north-east are included in contracts worth more than £12m awarded to TARMAC CONSTRUCTION. The company has a £7m project for building a second carriageway alongside the single carriageway (A1231) at Sunderland, for Sunderland Borough Council. Work has started and is scheduled for completion in two years. Another project, worth £1.2m, is for fitting-out a supermarket at Clevedon, Avon, for Safeway Food Stores.

Other contracts include industrial units at Corby, Northamptonshire, for Enterprise Zone Developments (£601,000); a footbridge in Union, Dundee, for Tayside Regional Council (£516,000); road earthworks at Bilston, West Midlands, for Wolverhampton Borough Council (£457,000); and demolition of a building and construction of two shops at Arnold, Nottinghamshire, for Hardanger Properties (£225,000).

Several contracts have been awarded to Tarmac's contract housing organisation. They include work on 172 homes for Birmingham City Council (£17m); 88 homes for Chelmsford Borough Council (£1.3m); 91 homes for Cardiff City Council (£1.2m); 99 homes for Sheffield City Council (£1.2m); and two contracts for Leeds City Council (£1.4m).

YARD has been awarded a contract by the South of Scotland Electricity Board to provide a range of technical services in relation to the main data logging and control computer systems at the AGR nuclear power station at Torness. The contract, valued at around £400,000, covers work on the operation, maintenance and documentation of the computer system as well as software configuration control. One aspect of the work is the adoption of an integrated system approach because of the number of contributors to the computer system design and the multiplicity of the distributed subsystems. YARD will be crystallising the principles and detailed procedures to be adopted by the generating station operators and computer engineers and setting the procedures for management and configuration control of the software packages and distributed databases. The project is scheduled for completion in early 1987.

Egham office development

London & Metropolitan Estates has placed a £12m contract with BALFOUR BEATTY BUILDING for the design and construction of a two-storey office building at Egham, Surrey. This will provide additional accommodation for PE International, and has been designed to blend in with the adjacent, original Victorian building of yellow brick, stone dressings and steep pitched tile roof. The new office building will have a gross internal area of 1,635 sq m. Work is to be completed by July 1987.

More than £3.8m worth of design and construct work in the north east has been won by MOWLEM INDUSTRIAL. Heading the list is a £1.3m warehouse at Glover Industrial Estate, Washington, Tyne and Wear, for Washington Development Corporation on behalf of sportswear company Nike (UK). The 85,000 sk ft warehouse will be used for storage and distribution of Nike's sports shoe range. Construction has started for completion in November. A £2.6m contract to build a 60,000 sq ft office block for Guardian Royal Exchange Assurance is among more than £4.5m worth of work won by Mowlem (Midlands). Work has started on the Guardian contract which comprises demolition of two buildings and erection of a five-storey office with basement car park at 33-41 Newhall Street, in Birmingham's commercial centre. The main facades will be of brick and stone. A feature will be a central light well with a courtyard at ground level bounded by single-glazed aluminium walling for the full building height. At Uttoxeter, the company has been awarded an £800,000 contract by McTay Developments for a shopping development which will comprise a supermarket for the Dee Group and four other shop units. Work has started for completion this autumn.

ALFRED McALPINE has been awarded a contract worth over £1.1m by Tetra Pak British Isles for construction and refurbishment work at Wrexham, Clwyd. The contract involves the refurbishment of offices, and the construction of a two-storey office block extension of reinforced concrete with pre-stressed complete floor units. The building will be in brick with aluminium windows and doors.

Following the abolition of the West Yorkshire County Council, the Leeds City Council and the Bradford Metropolitan Council have purchased HONEYWELL computers to cope with increased workloads.

Leeds City Council has installed a third Honeywell DPS8/70 large-scale mainframe computer, valued at almost £300,000. The City of Bradford Metropolitan Council has ordered a third DPS8/49 mainframe, peripheral processors and disks and tape upgrades, valued at over £300,000 for installation in June.

Leeds City Council has an ongoing computer development programme and will be implementing applications for housing, highways, direct labour organisation and education. Bradford Metropolitan Council will be developing highways, engineering and superannuation systems.

F. PRATTEN & CO, part of the C. H. Beazer Group, has won contracts totalling over £2m, in the leisure area. Pratten will build a holiday cabin complex near Liskeard in Cornwall for Hoburne Leisure and a bar, restaurant and accommodation at Salford Marina for the West Wales Steamship Group. Local government is represented by a play building for Harringey Council, while other orders include student accommodation for the University of Swansea, a three-storey office block in Gloucester, and extensions to the opthalmic outpatients building at MusgrovePark Hospital in Somerset.

ASHBY & HORNER has four special works contracts worth over £1m. These include a £520,000 reconstruction and refurbishment of three upper floors of a house in Eaton Place SW1, for a private client and a £254,000 external renovation of Aquatical House in Bishopsgate EC2, for the Steamship Mutual Underwriting Association. Other work includes interoal alterations to gallery 43 of the Victoria and Albert Museum and construction of an archives section at the Turret Business Centre in Dock Street, E1, for Barclays Merchant Bank.

UNILEVER N.V.

9¾% US$100m

Bond Loan 1980/1990

Notice is hereby given to the holders of the above mentioned bonds that, in accordance with Article III of the Trust Agreement dated July 17th 1980, the drawing for the maturity redemption of US$20 million on July 15th 1986 has taken place on May 30th 1986.

the numbers 4 & 5 have been drawn

Bonds, the serial numbers of which end in one of the above numbers have been drawn for redemption at par and are payable from July 15th 1986 at the offices of the paying agents listed below:

Principal Paying Agent
Amsterdam-Rotterdam Bank NV
595, Herengracht, Amsterdam

Paying Agents

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basel

Morgan Guaranty Trust Company of New York
35 Avenue Des Arts
B-1040 Brussels

Credit Lyonnais
19 Boulevard des Italiens
75002 Paris

Midland Bank Limited
60 Gracechurch Street
London EC3P 3BN

Citibank (Luxembourg) SA
16 Avenue Marie Therese
Luxembourg

European American Bank and Trust Company
10 Hanover Square, New York

Deutsche Bank Aktiengesellschaft
10-14 Grosse Gallusstrasse
6000 Frankfurt/Main

Unilever N.V.
Rotterdam

June 9th 1986

The Trustee
Nederlandsche Trust-Maatschappij NV
Amsterdam

THE DREYFUS INTERCONTINENTAL INVESTMENT FUND N.V.

DECLARATION OF DIVIDEND

At the Annual General Meeting of The Dreyfus Intercontinental Investment Fund N.V., held in Curaçao on May 15, 1986, the Shareholders of the Fund, acting upon the recommendation of the Fund's Board of Directors, declared a dividend of $0.12 (U.S.) per share to Shareholders of record on May 30, 1986. This dividend is payable on June 10, 1986 to holders of bearer shares upon surrender of Dividend Coupon No. 16 as attached to the share certificate, to one of the offices of the paying banks listed below. This distribution is being made from net investment income.

Morgan Grenfell & Co. Limited
23 Great Winchester Street
London EC2P 2AX
England

Deutsche Bank AG
Grosse Gallusstr. 10-14
6 Frankfurt/Main 1
West Germany

Banque Internationale à Luxembourg
2, Boulevard Royal
Luxembourg-Ville
Luxembourg 2205

RoyWest Trust Corporation (Bahamas) Limited
Mutual Funds Department
P.O. Box N7788
Nassau, Bahama Islands

Dividends payable on shares held in a Dreyfus Intercontinental Voluntary Account will either be paid directly to the Account holder or automatically reinvested, depending upon the election made by the Account holder when his Account was established.

Reports are available at the offices of the above-mentioned paying banks or at

Dreyfus GmbH,
Maximilianstr. 24, 8 Munich 22, West Germany.

UK COMPANY NEWS

Exco wins share option proposal

A PROPOSAL by the directors of **Exco International** to grant share options in its Far East stockbroking subsidiary, W. I. Carr (known as Wico), to some of its directors, would allow them to make artificial profits by manipulating their share price, according to several institutional investors.

The shareholders have complained that the option scheme would dilute their own holdings and the profits would be made at their expense, in breach of the guidelines of the institutions' investment protection committees.

The options were granted in response to threats by Wico employees that otherwise they would leave for rival firms.

A poll on the issue was forced at an Exco shareholders' meeting held yesterday. The details of the option scheme were approved by the holders of 85m shares, with 19m shares voted against and the holders of 130m shares abstaining. However, nearly all the shares voted in favour — some 75m — were owned by members of the Exco board, mostly by Mr Tan Sri Khoo Teck Puat, the Malaysian deputy chairman.

A solicitor, Mr D. H. J. Cohen, pointed out to the meeting that a provision in the scheme would allow Wico directors to exercise their options at a price which reflected their market value at the date of exercise.

However, when selling their shares, they could use an alternative measurement of their value to guarantee themselves a profit even if the underlying value of the company had declined.

Exco managing director, Mr William Matthews, said that the company was generally sparing in its grant of options to directors and employees. The intensifying competition in financial services in Japan had made it difficult for Wico to retain its employees, he added.

Last year, it lost two of its key directors to the US investment bank, Salomon Brothers, for salaries of around £500,000 a year each and others had threatened to follow.

Executive share option schemes have become popular since they were granted tax privileges under the 1984 Finance Act. Companies have generally abided by the rules of the investor committees. The committees oppose option schemes in unquoted subsidiary companies because they could favour some subsidiaries at the expense of others and because of the risk of share price manipulation.

An official of the Association of British Insurers investment committee said after the meeting thatthe details of the Exco scheme highlighted the risks. "There is no satisfactory method of valuing the subsidiary's equity. You can always find a way to put a value on the shares that you want," he said.

PWS Int. fails to make up lost ground

DESPITE a slightly better second half, the factors that had hit PWS International at halfway—lower commissions on pools, the strength of sterling, and further rationalisation—left both turnover and profits down at the end of the year to March 31 1986.

Pre-tax profits fell from £1.73m to £1.68m on turnover down £2.41m at £6.31m. Most of the profit shortfall came in the group's UK operations, but US activities achieved a £489,000 turnround back to £253,000 profit.

PWS is a Lloyd's insurance broker and reinsurer, and last April announced a £57m deal to merge with Howard Group, another Lloyd's broker which specialises largely in US domestic business.

The directors have declared a second interim dividend of 6p for the year, making a total of 9p. Mr Malcolm Pearson, the chairman, says that the merged group's dividend policy will have regard to PWS's historic level of payment. After a much lower tax charge — £567,000 against £1.25m—earnings per share rose by 9p to 15.8p.

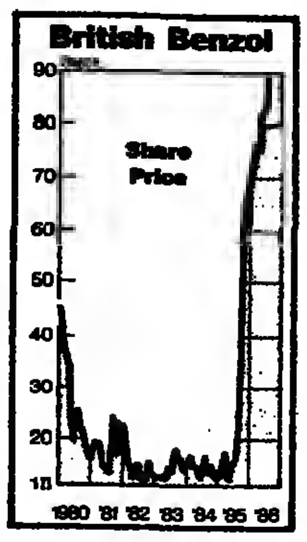
Mr Pearson says that currency differentials probably cost some 10 per cent of turnover, and some the lower commissions earned on the 1984 pool renewals have been the most significant cause of the lower turnover. This situation has now levelled out, he says, an dhe expects turnover to rise again in the current year.

The lower operating expenses from last July's redundancies only came on stream in the second half.

The group's year-end will be changed to September 30 after the merger with Howard, and will even up the balance towards the traditionally stronger second half.

British Benzol profits ahead of forecast with £768,000

COMPARED with a forecast of profits in excess of £250,000 for the year ended March 31, 1986, British Benzol, coke and smokeless fuel manufacturer has turned in taxable profits of £768,000 after redundancy costs of £257,000. This is against a previous £202,000.



Mr Malcolm Stockdale, chairman and chief executive, says that the group is now organised into three trading divisions — mining, solid fuel and liquid fuel — and he predicts "that further substantial growth will be achieved in the current year and beyond."

After tax of £5,000 (£1,000 credit) earnings per 10p share are given as 3.4p (0.9p), but again there is no dividend payment—the last distribution was in 1980.

After tax, minority interests of £3,000 (nil) and extraordinary debts of £244,000 (£1.29m), profits came through at £516,000, compared with losses of £1.09m.

Mr Stockdale says that this improvement in the group's fortune was achieved in a 23 per cent increase in turnover from £15.38m to £18.95m

At the midway stage losses were reduced from £522,000 to £124,000 and directors remained confident that the company would earn profits in excess of £250,000 for the full 12 months.

Mr Stockdale now says the year was one of considerable change with the early months concerned with recovery from the aftermath of the miners' strike. He explains that difficult decisions were taken, closing certain subsidiaries which were "irretrievably damaged by the dispute," together with major redundancy programmes.

Last October's rights issue allowed the company to further expand its activities within the energy field, the chairman states. During the year trading successfully started in the large scale supply of liquid fuels.

This activity was expanded, he adds, by the acquisition of a production plant for lubricants, together with a number of petrol filling stations, giving additional volume and purchasing power.

Mr Stockdale says the considerable progress of the group, particularly over the last six months has prepared the way *for further achievement.*

● comment

British Benzol has had a chequered history with the miners' strike precipitating the most recent crisis and boardroom changes. The new management has rationalised the group, expanding output and cutting the workforce at its chief profit-earner, the Bedwas coke plant. Expansion of the liquid fuels business, development of bagged coke sales, and a diesel deal with London cabbies should push this year's profits up to £3m, with the strong probability of a dividend payment resumption. Further acquisitions, with the emphasis on solid fuels (a £1m deal is already in the pipeline) could precipitate a rights issue funding exercise. The company expects to pay little or no tax this year but on a conservative charge of 20 per cent and allowing for the full dilution effects of last year's convertible rights issue, the shares (at 89p, down 8p) are on a prospective p/e of 11.5.

Western Motor in the black

WITH THE completion of reorganisation at **Western Motor Holdings**, trading activities of the continuing businesses have swung back into profit. Following a loss of £138,000 in 1984, there were pre-tax profits of £229,000 in 1985, and management accounts for the first four months of the current year show a profit in excess of £300,000. The directors point out, however, that this should not necessarily be taken as a guide for the results for the full year.

There will again be no dividend in respect of the ordinary and "A" non-voting ordinary shares—the last payment was in 1980. The dividend on the preference shares in respect of the six months to June 30 1986 will be paid on July 1.

The withdrawal from the retail motor businesses has resulted in a substantial reduction in borrowings with new car interest-bearing loans of £1.6m eliminated, and bank overdrafts and other loans of £4.1m being repaid. Interest charges accounted for £466,000 (£401,000) in 1985.

The profit and loss account shows the trading results for the continuing businesses only. The results for the discontinued activities have not been consolidated as part of the ordinary activities of the group, and the 1984 figures have been re-stated on a comparable basis.

The directors consider that the freehold property valuations in the balance sheet carried out in the main in 1978 probably understate present values. Therefore, arrangements are being made to carry out a revaluation of properties during the current year.

Turnover in 1985 was down from £9.5m to £9.13m. The cost of sales was £6.99m against £6.64m. Administration expenses were down from £797,000 to £703,000, and other charges took £736,000 (£1.8m). After extraordinary credits of £364,000 (£891,000 debits) and minority debits of £38,000 (£16,000 credits), retained profits came out at £555,000 compared with losses of £1.01m.

Stated earnings per 25p share were 8.49p (5.42p losses).

Second funeral group joins USM

BY RICHARD TOMKINS

Hodgson Holdings has become the second funeral director to join the unlisted securities market with the placing yesterday of 2.8m shares at 85p a share. The issue price values the company at £7.5m.

Funeral directing in the UK is dominated by small, privately-owned businesses which together account for about 65 per cent of the market. The co-operative movement holds another 25 per cent and the remaining 10 per cent is shared between House of Fraser, the USM-quoted Kenyon Securities, and the privately-owned Great Southern Group.

Hodgson is based in Birmingham and has 24 offices in the Midlands and the north, east and west of England. It expects to carry out 5,600 funerals in the year to this October, giving it a 1 per cent market share.

The company was formed in the 19th century but began to take its present form in 1975 when Mr Howard Hodgson, the chairman, bought it from his father.

In the face of a near-static death rate, its growth has mainly been through acquisition. It aims to carry on expanding by absorbing smaller businesses and improving their returns.

Pre-tax profits have risen from £113,000 in 1981 to £484,000 in the year to last October. The company is forecasting at least £730,000 for the current year, putting the shares on a prospective p/e ratio of 15.4 after a 40 per cent tax charge.

Sponsors to the issue are ANZ Merchant Bank and brokers are Capel-Cure Myers. The placing is the first USM issue to be sponsored by the merchant banking arm of ANZ Bank, which now owns 100 per cent of Capel-Cure Myers.

About £1m of the proceeds will be used for expansion of the business and £1.2m will go to existing shareholders.

Property Holding ahead to £5.9m and confident

Property Holding & Investment Trust, improved pre-tax profits from £5.77m to £5.87m in the year to March 31 1986, after net income from properties rose by 14.7 per cent to £8.18m against £7.13m.

The final dividend is lifted to 1.93p (1.61p), making an increased 2.95p (2.5p) total, which is covered twice by earnings up from 4.26p to 5.86p.

Mr A W John, chairman of this property investment and development company, says the year has seen substantial changes in the company, and developments, long in the pipeline, are coming into construction.

Its total programme of actual and prospective developments (including refurbishments) and of acquisitions now stands at over £76m, the chairman states. This partly depends on planning permission and the whole programme will be spread over several years.

Having carefully assessed the effects of this programme on cash flow, earnings and dividends, the directors intend to capitalise interest so as to reflect more truly the cost of investments. This will reduce the initial burden on revenue of the new projects, the chairman says.

The directors do not foresee any difficulty in continuing progressive increases in dividends, though cover is likely to be reduced. They expect a growth in assets, so total return to shareholders increases progressively.

... new course marks a real change of policy, the chairman adds, but with realisation of past expectations the directors look confidently to a successful future.

The pre-tax result this time was after higher administrative expenses of £824,759 (£595,540) and interest charges up from £1.36m to £1.83m.

After tax revenue rose by 39 per cent to a record £4.64m (£3.34m) following a reduced tax charge of £1.24m (£2.43m) due to the benefit of capital allowances in respect of expenditure incurred largely before the current year.

Standard Fireworks on target at £1.06m

Standard Fireworks, which agreed to an £8.5m bid from Scottish Heritable Trust last month following an offer from MY Dart, has turned in pre-tax profits of £1.06m for the year ended March 31 1986, as forecast.

As anticipated, directors say that turnover was marginally lower at £7.1m, against £7.28m, while profits were adversely affected by the impact on production of the bad weather conditions in the early part of 1986. This resulted in an under-recovery of costs owing to lower than planned production levels.

They add, however, that orders received to date for the forthcoming season are at an encouraging level. And it is expected that the under-recovery of costs will be recouped during the remainder of the year.

There is an interim dividend, in lieu of a final, of 3.83p, which is in effect unchanged from last year after allowing for a one-for-two scrip issue.

Tax charge for the 12 months amounted to £407,904 (£577,317) leaving a net balance of £648,140, against £746,109.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

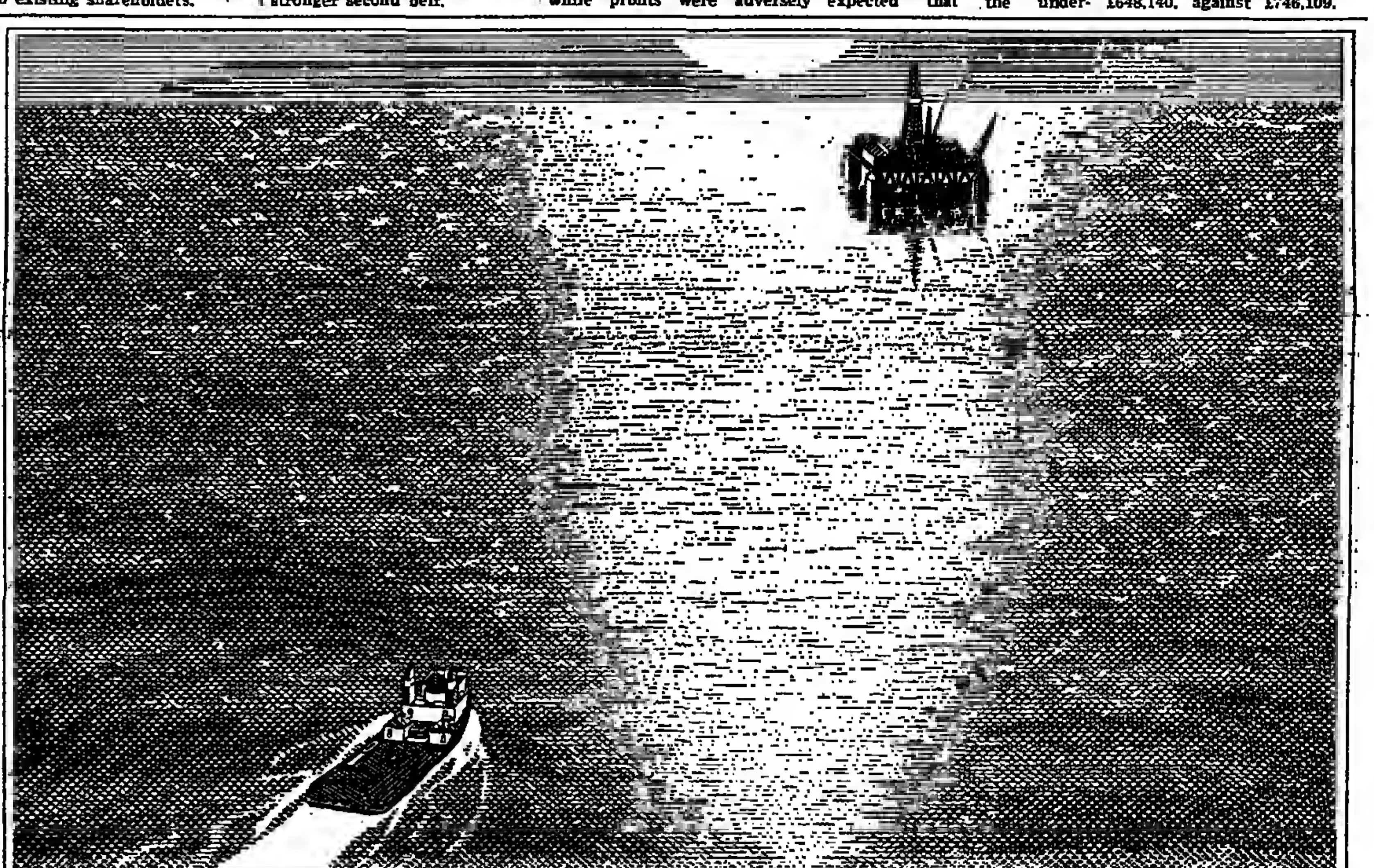
TODAY

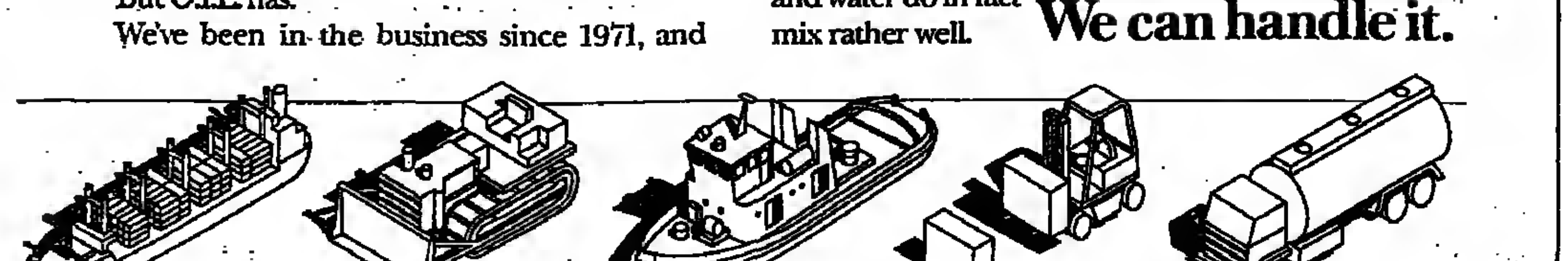
Interims: Carr's Milling Industries, J. A. Devenish, Hardanger Properties, Nottingham Brick.

Finals: Atkins Brothers (Hosiery), Barlows, Bradford Property Trust, Deelkraal Gold Mining, Doornfontein Gold Mining, Driefontein Consolidated, Electrocomponents, Oes/Rosen Organisation, Great Portland Estates, Kloof Gold Mining, Libanon Gold Mining, Metal Box, New Throgmorton Trust, Shires Investments, Time Products, Venterspost Gold Mining, Vlakfontein Gold Mining.

FUTURE DATES

Interims:	
Chemring	June 26
Fenner (J. H.)	June 17
Fleming Far East Investment Trust	July 10
Plaxtons (G.B.)	June 17
Finals:	
Associated Heat Services	June 18
Grampian TV	June 15
Greene King	July 14
London and Midland Inds.	June 17
Scott Greenham	June 16
Walker (C. & W.)	June 17
Whitecroft	June 2[illegible]
Yellowhammer	June 16





THE MANAGEMENT PAGE: Small Business

French technology aid

Innovation agency under fire

BY DAVID MARSH

FRENCH policies to aid technological innovation among small businesses have been cast into the melting pot by the new Right wing government. Alain Madelin, the new Industry Minister, and a committed economic liberal, believes that government intervention in this area needs to be rethought to make sure that aid is channelled in the most effective way.

In the firing line is Anvar, the French government agency which channels risk capital to companies commercialising promising technology.

Although most of its clients are small businesses, Anvar—Agence Nationale de Valorisation de la Recherche—has been criticised by the Right for giving too much money to larger companies which have their own sizeable research departments.

As part of a FFr 1.8bn (£165m) cut in the Industry Ministry's industrial aid budget decided in April, Anvar has been asked to take a FFr 400m cut in spending this year. And that was only an initial package of public spending cuts.

Christian Marbach, Anvar's managing director since it was set up under a previous Right wing administration in 1979, says the reductions will be borne above all among Anvar's larger company clients, but will also have an effect on small businesses.

Anvar had been hoping to channel FFr 1.2bn into backing innovative projects this year. The figure will now be reduced to FFr 800m, with FFr 600m coming from government funds and Frs 200m from repayments of Anvar grants made to companies in previous years.

The agency tries to bridge the gap in the French approach to technology. French researchers and scientists have a good track record in making basic breakthroughs in areas ranging from microcomputers to genetic plant breeding. But like their British counterparts, they tend to fall down dismally in bringing products or processes to the marketplace through lack of funds or commercial skill.

Anvar channels interest-free loans to companies which make out a good case for exploiting an invention or new idea but need financial help in bringing it to the commercial stage. The money is expected to be repaid during the five years following the commercial introduction of the product or process.

Christian Marbach: trying to confine cutbacks to larger companies

Anvar has made innovation grants of FFr 4.8bn over the last six years to back technology developments at 7,000 companies. About 90 per cent of the number of grants—and two-thirds of their value—have been to small and medium-sized businesses.

Some 10 to 15 per cent of recipients have failed seriously enough for Anvar to forgo repayment. Marbach admits that many companies also take longer than expected in remitting funds to Anvar because of their own over-optimistic expectations.

Opinions over Anvar's effectiveness vary. Critics on the Right charge that the organisation has failed sufficiently to control costs among its 430 staff. Henri Blanchet, director and chief shareholder of a small industrial holding company, Dynaction, recently introduced on the second marché or unlisted section of the Paris bourse, says the companies in his group — involved in specialist mechanical and electrical engineering — have benefited from support from Anvar. But he says the funds put in by the Government cost too much to administer. Companies receiving Anvar grants would have much more benefit if the organisation were simply scrapped and the savings used to reduce company taxation, he says.

Anvar does, however, make an effort to cut down bureaucracy by developing decision-making outside Paris. Ninety per cent of grants for smaller companies are decided by Anvar's network of regional offices which are empowered to make available amounts of up to FFr 1.5m without referral to Paris.

One small businessman who applauds this arrangement is Jean-Paul Bellot, director of a family milling company near Poitiers in western France, who has benefited from a FFr 400,000 Anvar grant to bring in new sorting machinery for flour.

Anvar will advance up to half the cost of a specific investment project, subject to the company concerned being given a clean bill of health by banks.

Bellot admits that the amount of form-filling in applying for diverse government industrial grants can be tiresome. Hard-pressed managers can be impeded from applying because of the bureaucracy involved.

But Anvar was the speediest of the various government organisations with which he was in contact over his total FFr 4.5m investment. Bellot terms as "very positive" Anvar's ability to make decisions locally through its regional representative at Poitiers.

Marbach believes that Anvar should be willing to accept a higher proportion of risky companies as part of a policy of encouraging entrepreneurial spirit. Industry Minister Madelin, however, has asked Roger Martin, the former chairman of the Saint Gobain glass and pipes company, to prepare a report over the next few months on the whole question of industrial support — including that for troubled areas like steel and shipyards. This could change Anvar's overall policy orientation—and also cause it to cut back or redeploy staff if this year's budget cuts prove permanent.

The Government is expected to try to focus technology aid for small and medium companies as far as possible on tax reductions rather than grant hand-outs. This would be along the lines of a tax credit system to back research, introduced under the previous Socialist administration.

Officials say Anvar henceforth will have to give companies incentives to develop in a direction which they would otherwise not take. So support for big companies such as the Motra defence and electronics concern —which has benefited from Anvar grants to develop its revolutionary unmanned VAL transport system—will now be phased out. The administration feels that larger groups with ready access to the financial markets or to other sources of subsidies, have no need of Anvar.

ANVAR HIGH TECHNOLOGY LENDING

	Number of requests for funding	Number of requests accepted	Cash sums granted (FFr thousand)
1979	303	108	161,775
1980	1,492	1,007	546,575
1981	1,941	1,377	656,456
1982	1,840	1,388	629,278
1983	1,944	1,494	825,976
1984	2,119	1,709	858,251
1985	3,253	2,713	1,089,689

Source: ANVAR

In brief...

SHELL UK and Durham University Business School are looking for technically based small and medium sized businesses which would value free introductions to science and engineering graduates.

The two UK organisations aim to put 20 students from north eastern universities and polytechnics into jobs related to their studies during the summer vacation. Students will be available from July 7 and will cost nothing to the host businesses.

The scheme, the Shell Technology Enterprise Project, aims to increase graduates' awareness of small business employment opportunities and to help businesses appreciate the contributions available from science and engineering graduates.

"The students will be able to pull their weight immediately because they will be qualified to make a contribution on the technical side," says David Mullen, who is organising the scheme for the business school. Shell is providing the students with a £75 per week grant plus travelling expenses.

Details from Mullen at the business school on 0385 44173 or from James Arnott at Shell on 01-257 3152.

BUSINESS start-up courses with an emphasis on the difficulties encountered by women entrepreneurs are to be held in London and Wakefield on June 28.

They are organised by Women in Enterprise, a group formed last month to assist female entrepreneurs, and the London Enterprise Agency (LEntA). Topics include the personal qualities needed to start a business, planning, finance, selling and working from home. A panel of businesswomen will talk about how they tackled working for themselves.

Places cost £30. Details of both courses from Michele Grant or Geraldine Doyles at LEntA on 01-236 3000.

VENTURE Economics, the US research consultancy, is to hold a two-day forum on venture capital on October 9 and 10.

Fund managers, institutional and corporate investors will debate industry trends, regulatory and legal concerns and management strategies, among other subjects. The forum takes place in the Park Plaza, Boston, and tickets are available for $400 to $750 from Venture Economics, PO Box 341, Wellesley Hills, Massachusetts 02181, US.

The lessons of experience

Ann Broome explains a new kind of training for busy entrepreneurs

ENTREPRENEURS often complain that they do not have the time to take the formal management training they sorely need because they are too busy running their businesses.

A growing number of training bodies is trying to tackle this problem by organising courses which do not disrupt normal business life and which allow participants to learn as much through each other's practical experiences as through the consultants in charge.

So-called Learning in Action was devised more than 10 years ago by Reg Revans, then a training officer at the National Coal Board and now a professor at Sussex University. But it was not until 18 months ago that seven pilot schemes were sponsored by the Manpower Services Commission to test the idea more widely.

The experiences of some of the earliest participants, at Bristol University's Industrial and Management Studies Department, show how this kind of training can provide important practical benefits for small business managers unable to give up more than a day a fortnight for training. The idea has been so popular that the MSC started to run similar courses nationwide last year.

The 10-day course is designed to cultivate general managerial, financial and sales skills. Sessions are spread out over four months so that members can continue running their businesses and gauge whether the teaching is having any impact while the course is still under way.

The Bristol University venue is Burwalls, a comfortable 19th century country house near Clifton Suspension Bridge, where the eight participants are split into two groups, each under the tutelage of a consultant, and chosen so that their businesses are different.

The knowledge that within a fortnight, the participant will meet the other course members and co-ordinator again, acts as an added incentive to relate the course successfully to real business life. If a new strategy seems to be effective, well and good. If not, the next visit to Burwalls will provide a time for reflection and an opportunity to make alternative plans.

Day 10—right at the end of the course—is spent by one of the consultant co-ordinators at the business premises of course members. Peter Gray and Alan Rendell, who co-ordinate the Learning in Action courses in Bristol, believe that this experience is invaluable. "As soon as I step into a business premises I can 'smell' what it is like. I can see how motivated the people are, whether there is too much stock on the shelves and whether there is room for expansion. Things can often be pointed out by an outsider that are too obvious for an insider to recognise," says Gray, a former consultant for the Engineering Employers' Association, now Senior Lecturer in Industrial and Management Studies at Bristol.

So far, 32 small and medium business managers have made use of the Bristol course. Gray is confident that most of the people he and Rendell have advised have managed to make improvements in their businesses as a result.

Take, for example, the founder of a small producer of air purifiers who found himself over-dependent on one big customer and unable to grow. During the Learning in Action course, it became apparent that a new product design which would considerably simplify production and assembly was vital if growth was to be achieved. In the event, the product re-design reduced cost, attracted new customers and led to doubled profits in the first year.

The types of businesses to have benefited from Learning in Action vary tremendously. Among them is a small maker of packaging materials whose director was not aware of his sales skills till Gray pointed them out. By rearranging office administration, the manager has been able to meet more customers and sales have been increased by 15 per cent.

In the words of a satisfied wholesale builders' merchant: "This course was the turning point in the life of my firm. There is no doubt that, as a result of what my colleagues and I learnt during it, our business is already stronger."

Business broking

FOR MORE than a year, small UK companies around the country have quietly been offered a new solution to old problems through a discreet organisation called The Business Exchange.

Launched in February 1985 as the brainchild of Douglas Llambias, a chartered accountant, it creates a market place whereby small private businesses can find vendors and purchasers.

Business Exchange, a nationwide network of more than 30 firms of top accountants and solicitors, offers an alternative to the more familiar and formal services of business brokers and merchant banks.

Its caseload has built up gradually so that the exchange is now completing one transaction a month. A further 50 are on its books at various stages of completion.

In the process of handling sales of businesses for sums mostly between £1m and £5m, its operations director Martin Drake has learnt some useful lessons about the pitfalls which lie in wait for a small businessman looking to sell a company —whether because he is retiring, or rationalising or for some other reason. "Vendors tend to take everything at face value," says Drake, a former technical director of the Institute of Chartered Accountants in England and Wales.

"You have to explain to them that they can't necessarily believe what they are told until the ink's dry on the contract," he adds.

Usually, a vendor will have no experience of selling a business—and may accept the first offer from a larger, more worldly-wise company when better terms could be available elsewhere. That may not matter if he just wants to walk away from a problem company—but it can be unwise if he wants, say, special protection for a faithful workforce, or a continued connection with the business.

The usual procedure is for a member of the exchange, whether accountant or solicitor, to talk to and advise the prospective vendor, check how serious his intentions are and then circulate confidential and anonymous details among the rest of the professional member firms.

The advantage is that the Exchange (which charges fees on a sliding scale to both vendor and purchaser) sifts out the credible buyers—and then gives the vendor access to a range of offers. Fees vary from 4 per cent of purchase price up to £200,000 to 0.5 per cent for £10m-plus deals.

Nick Bunker

Business Opportunities

Office Equipment

Business Services

Management Courses

Businesses For Sale

International

Hotels and Licensed Premises

FT COMMERCIAL LAW REPORTS

Bank liable for gambled partnership money

LIPKIN GORMAN v KARPNALE LTD AND ANOTHER

Queen's Bench Division: Mr Justice Alliott: April 8 1986

A BANK is liable as constructive trustee for sums withdrawn by a partner from his firm's account and lost at gambling if it knew he was a compulsive gambler and believed he was probably defrauding his firm, but deliberately refrained from querying the withdrawals as an honest and reasonable man would have done.

Mr Justice Alliott so held when giving judgment for solicitors' firm, Lipkin Gorman, in its claim against Lloyds Bank plc as constructive trustee of money stolen by a partner from its clients' account. The firm was debarred by its own conduct from recovering the full amount. It failed in its claim against Karpnale Ltd, operator of the Playboy Club at the time, as constructive trustee of money received by the club.

HIS LORDSHIP said that Mr Norman Barry Cass was a compulsive gambler. From 1978 to 1980 he was a partner in a firm of solicitors and able to draw on its clients' account by his name alone. His own resources were insufficient to fund his compulsion and he used money from the clients' account.

He withdrew £323,222, of which £222,908 was unrecovered. The vast bulk of the money was lost at the Playboy Club in Park Lane. The clients' account was maintained at Lloyds Bank's Brook Street branch.

Mr Cass was extradited from Israel and in 1984 he was convicted on his own confession of 21 counts of theft of the firm's money. He was sentenced to three years' imprisonment.

The firm claimed in a variety of ways to be entitled to recover the loss from Playboy or Lloyds.

Its claim against Playboy for moneys had and received under a void contract failed in that though a contract for a sale of chips was a gaming contract under the Gaming Act 1845, section 16(4) of the Gaming Act 1968 expressly preserved the validity of cheques exchanged for cash or tokens otherwise rendered null and void by the 1845 Act.

A negligence claim against Playboy also failed in that the club owed no duty of care to the firm.

A claim against Playboy for conversion of a £3,735 bank draft succeeded. Mr Cass by deception had persuaded the club to accept the draft and tha club, after discovering the deception, chose to sit back to see if it would go through — which it did. Playboy therefore failed to come within section 29(1)(b) of the Bills of Exchange Act 1882 which required that it "took the bill in good faith."

The firm could not recover against Lloyds under that head because tha draft was originally obtained for a lawful purpose. The irregularity lay in Mr Cass's improper endorsement and a bank had special protection in such circumstances (see section 19 of the Stamp Act 1853 and sections 1 (2) of the Cheques Act 1957).

The firm also claimed against Playboy and Lloyds as constructive trustees of its money.

All bankers and their customers were in contractual relationship and in given circumstances breach of contract on the bank's part would render it liable as constructive trustee. Section 85 of the Solicitors Act 1974, which provided that no bank should incur liability under a solicitor's account which it would not incur under the account of a person entitled absolutely, was not a bar to the claim. It did not put a clients' account into some special category in which constructive trusteeship could never arise, as had been argued.

A subsidiary question was whether contributory negligence was relevant if the relationship between plaintiffs and defendants was contractual.

There were two recent decisions, diametrically opposed — *Marintrans* [1985] 1 WLR 1270, by Lord Justice Neill, and *Vesta v Butcher*, unreported, in which Mr Justice Hobhouse took the view that contractual relationship did not exclude contributory negligence in appropriate circumstances.

The latter reasoning was preferred and adopted. The court was entitled to take contributory negligence into account when considering contractual breach.

The constructive trustee claims were based on the categorisation of knowledge in *Baden Delvaux* [1983] BCLC 325, 407, as being any one of five different mental states: "(1) actual knowledge; (2) wilfully shutting one's eyes to the obvious; (3) wilfully and recklessly failing to make such inquiries as an honest and reasonable man would make; (4) knowledge of circumstances which would indicate the facts to an honest and reasonable man; and (5) knowledge of circumstances which would put an honest and reasonable man on inquiry."

In re *Montague's settlement*, unreported, Sir Robert Megarry V-C said that whether a constructive trust arose in a case of knowing receipt primarily depended on the knowledge of the recipient.

He said: "For this purpose knowledge is not confined to actual knowledge but includes at least types (2) and (3) of *Baden* knowledge . . . for in such cases there is a want of probity which justifies imposing a constructive trust. Whether knowledge of *Baden* types (4) and (5) suffices for this purpose is doubtful; in my view it does not, for I cannot see that the carelessness involved will normally amount to a want of probity."

Want of probity was a key aspect in the court's approach. Sir Robert Megarry's reasoning and approach were adopted.

He was dealing with "knowing receipt" in which category of constructive trusteeship Playboy was said to fall. Lloyds allegedly fell into the category of "knowing assistance" to a fraudulent scheme. There was no suggestion that different standards of knowledge should apply.

There was however a difference in approach. In "knowing receipt" fraud was irrelevant, whereas in "knowing assistance" the stranger to the trust must be proved subjectively to know of the fraud, to have shut his eyes to the obvious, or to have wilfully and recklessly failed to make such inquiries as a reasonable and honest man would make.

Mr Sumption conceded that if Lloyds had reasonable grounds for believing Mr Cass was fraudulently operating the clients' account it was its duty not to honour cheques drawn by him even when drawn within the mandate. "Reasonable grounds" must be construed in the light of the three types of knowledge to which the court had restricted itself.

The firm failed to establish that Playboy had actual or constructive knowledge of the receipt of trust funds, and the claim against it as constructive trustee failed.

If Lloyds was to be fixed with knowledge it must be through the Brook Street branch manager.

It was apparent from the bank's personal memorandum cards for the Cass account that the manager was fully aware of Mr Cass's compulsive gambling. He deliberately suppressed that knowledge from his superior. He acted with want of probity.

The manager, and therefore the bank, did have reasonable grounds for believing it was probable that Mr Cass was operating the clients' account in fraud. The conduct of the manager as an otherwise honourable man was only explicable on the ground that he knew full well what he would find and dared not look.

The bank's knowledge was fixed from July 3 1980 when the manager's refusal to accept the gambling as controlled outlay was recorded on the memorandum card. From that date it was liable as constructive trustee for rendering knowing assistance.

In considering contributory negligence the court used the term to cover not only conduct properly so-called, but all conduct disentitling the firm to recover wholly or in part.

On the evidence there was no deficiency in the firm's accounting system and nothing in the general conduct of its office to debar it from recovering. Nor were the other partners aware of Mr Cass's gaming. His punctilious orthodox Jewish observance suggested probity rather than want of it. He declined even to take part in the office sweepstake on Derby Day.

But on September 29 1980 one of the partners saw Mr Cass's travel expenses of £1,510 and £2,105 — out of all proportion to the travel requirements of a domestic conveyancer.

The most modest investigation would have revealed those sums did not stand alone, but the partners accepted Mr Cass's disavowal of further dishonesty at face value. He rewarded them by taking £2,102 from the clients' account on October 1 and £120,698 between October 10 and November 21.

His partnership was terminated on October 1 or 2, not for dishonesty but for shoddy conduct. The termination was to date from the end of the year. Meanwhile his signing powers remained with him.

The firm's reaction in the first week of October was totally inadequate to the circumstances it had stumbled on. From then on it had no-one to blame but itself for its loss. It would be inequitable to grant relief for loss sustained after October 1.

For the firm: Dermod O'Brien QC and Thomas Putnam (Reynolds Porter Chamberlain).

For Karpnale: Gavin Lightman QC and Alan Boyle (Clifford-Turner).

For Lloyds: Jonathan Sumption QC (Linklaters & Paines).

By Rachel Davies
Barrister

RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
150	F.P.	30/6	151	138	Almanac Group	145	......	R5.85	2.5	5.7	10.0
§130	F.P.	13/6	135	120	‡Antler 5p	120	......	u3.0	2.4	3.5	17.0
115	F.P.	12/7	170	155	Arlington Sec. 10p	162	......	b1.7	4.3	1.5	22.2
150	F.P.	20/6	161	150	Barker (Charles) 5p	155	+2	u3.0	3.1	2.7	16.9
147	F.P.	—	133	150	Blick 5p	133	......	R3.4	3.1	3.6	12.7
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	60	−1	bd2.82	2.1	6.6	8.3
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p	153	......	g2.3	2.9	2.1	23.0
§125	F.P.	6/6	138	123	Comb. Lease Fin. 50p	130	−1	L1.35	3.9	1.5	18.7
107	F.P.	27/6	131	118	Dalepak Foods 5p	126	+1	R2.3	3.2	2.6	17.1
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p	212	......	u3.4	2.7	2.3	22.8
§50	F.P.	11/6	62	50	‡Dean & Bowes 5p	62	......	L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	135	‡Debfor 10p	135	......	u4.0	2.7	4.2	12.7
§39	F.P.	—	40	37	‡Eadie	38	−1	R1.75	2.0	6.5	9.2
120	F.P.	—	118	113	Evans Halshaw	113	......	u3.38	3.1	7.2	7.4
140	F.P.	4/7	130	125	‡Fields(Mrs)Inc$0.05	125	......	RQ4.5c	2.6	2.5	15.8
—	—	—	35	27	Garonn Secs. Warrts	32	......	—	—	—	—
140	F.P.	20/6	150	145	Haggas (John) 10p	150	+5	ud3.8	3.2	2.8	15.6
120	F.P.	30/5	130	119	Ipeco Hldgs 10p	114	+1	g2.7	3.3	3.3	13.0
104	F.P.	—	118	90	Jurys Hotel	90	−2	u3.75	2.1	5.9	9.9
180	F.P.	23/5	187	137	Lee International 10p	150	+10	R3.8	2.9	3.6	13.7
§70	F.P.	14/5	93	80	‡Lodge Care	82	......	u2.0	2.4	3.4	17.1
011	F.P.	—	62	49	Merlin Int'l Props	50	......	a0.58	2.0	1.4	49.0
157	F.P.	26/6	157	145	‡Monotype Corpn 10p	155	......	R4.4	1.6	4.0	15.4
§105	F.P.	6/6	133	112	‡Musterlin 20p	127	......	u3.0	2.8	3.3	12.2
165	F.P.	18/6	190	170	P-E International 10p	185	−3	1.8	3.4	1.4	29.8
§100	F.P.	27/6	105	104	‡Savage Group 20p	104	......	R3.0	2.5	4.1	13.8
**	F.P.	6/6	700	550	Schroders £1 N/V	575	−15	b10.75	—	2.6	—
§72	F.P.	13/6	74	70	‡Splash Prods. 10p	70	......	u3.27	1.6	6.6	13.6
§140	F.P.	6/6	141	118	Tech. Prods. Ser. 10p	118	......	u2.49	3.2	3.0	14.9
160	F.P.	6/6	185	172	Tip Top 10p	175	+2	R2.0	3.7	1.6	23.6
§100	F.P.	23/6	102	94	‡Usher (Frank) 5p	94	......	u4.5	1.9	6.7	11.2
145	F.P.	20/6	158	150	Westbury 10p	156	......	R4.1	3.1	3.7	12.4
§110	F.P.	26/6	142	129	Worcester 10p	142	......	u5.91	2.2	3.9	14.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
§99.50	£10	—	9¾	9	Bristol Water 9.8% Red Deb '96	9¾	+¼
§99.256	£30	29/8	30½	29	Brit. Alcan Aluminium 10¼% Deb. 2011	30¼	+½
¶¶	F.P.	—	99½	99	Brit. Emp. Secs. 10¼% Deb. 2011	99	−½
§94.209	£25	—	25⅞	25¼	Brixton Est. 9.5% 1st Mort Deb 2026	25⅞	+⅛
100	£10	14/8	10¼	9⅞	Cambridge Water 10% Red Deb '96-98	9⅞	+¼
109.89	£40	29/8	40	38¼	Estates & Gen. 11¼% 1st Deb. 2018	39¼	......
97.963	£25	24/10	25⅞	22⅞	Gt. Portland 9½% 1st. Mort. Deb. 2016	23⅞	+⅛
105.523	£25	21/8	26	22½	Land Securities 10% 1st. Mort. Deb.25	23⅞	+½
§99.951	£40	14/7	42	38¼	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	38½	+¼
§99.793	£25	24/9	24⅞	22⅞	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	23½	+⅛
100	£10	14/8	10¼	9½	Mid Southern Water 10% Red Deb '95-98	9¾	+¼
—	F.P.	—	100¼	99$\frac{11}{16}$	Nationwide Bld Soc 9⅞% 18/5/87	100¼	......
—	F.P.	—	100$\frac{1}{16}$	100$\frac{1}{16}$	Do 9$\frac{11}{16}$% 15/6/87	100$\frac{1}{16}$	......
§99.623	£40	30/6	41¼	37⅞	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	38¼	+¼
§87.179	£10	26/9	30⅞	29⅞	Portugal 9% Ln. 2016	30⅛	+½
§99.888	£40	1/8	44	41	Queens Moat 10¼% 1st. Mort. Deb. 2020	41½	+⅛
§99.480	£25	18/7	31¼	24¼	S.E. 10¼% Mort. Deb. 2016	27⅞	+⅛
§99.50	£10	—	9¾	9	Sund. & S. Shields Wtr 9.8% Rd Db '96	9¾	+¼
§9.073	£25	8/8	25¼	24½	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	25	+½
£100	£50	12/9	50⅛	48⅞	Witan Inv. 8½% Deb 2016	49⅞	+¼
§100	£10	14/8	10¼	9½	York Water 10% Red. Deb. 1996/98	9½	......

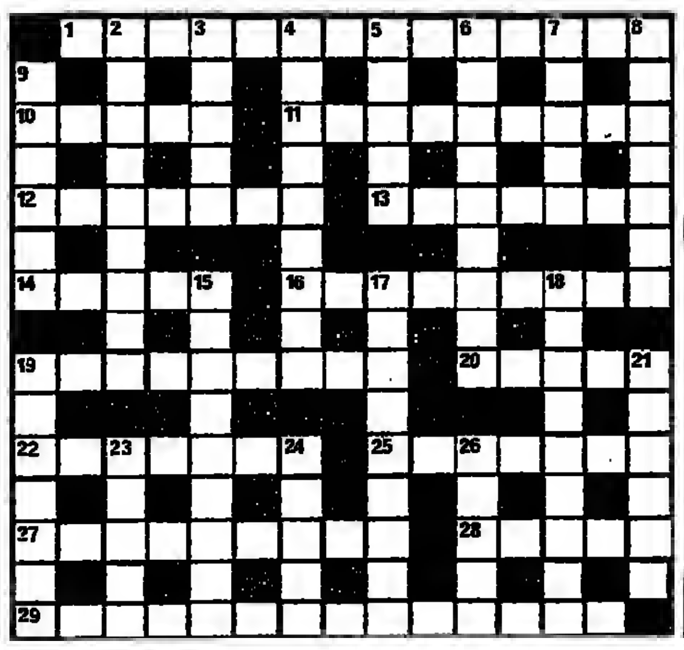
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
355	Nil	18/7	55pm	50pm	Berkeley Group	50pm	......
110	Nil	11/7	29pm	22pm	Britannia Arrow	29pm	......
200	Nil	4/7	175pm	145pm	Cater Allen £1	145pm	−5
190	Nil	—	45pm	45pm	Clifford's Dairies	45pm	......
170	Nil	—	27pm	27pm	Do & N/V	27pm	......
316	Nil	4/7	20pm	14pm	Crean (J.)	18pm	−2
30	Nil	18/7	11pm	4pm	Feedex Agricultural 10p	11pm	+2
300	Nil	—	45pm	35pm	Gerrard & Natl.	38pm	......
225	Nil	11/7	32pm	11pm	Harris Queensway 20p	16pm	......
235	Nil	—	20pm	20pm	Lep. Group 2p	20pm	......
235	Nil	—	27pm	15pm	McCarthy & Stone 20p	15pm	−3
56	Nil	7/7	15pm	8pm	Micro Bus. Systems 5p	15pm	......
45	Nil	11/7	50pm	43pm	Molynx 20p	48pm	......
200	Nil	—	265pm	250pm	Nat West Bank £1	250pm	......
18	Nil	—	2pm	2pm	Neil & Spencer 10p	2pm	......
2	Nil	15/7	1pm	¼pm	‡Property Trust 'A' 1p	¼pm	......
600	Nil	22/7	190pm	155pm	Prudential Corp	170pm	+5
275	Nil	3/7	35pm	35pm	Robinson (Thos.)	35pm	......
½	Nil	11/7	2¼pm	1½pm	Rotaprint ½p	1¼pm	−¼

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." § Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ‡ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under 535 (4) (e) †† Official London listing.

F.T. CROSSWORD PUZZLE No. 6,043

DANTE



ACROSS

1 They couldn't see the endless tragedy their pursuit would provoke (5,5,4)
10 Feature of barley, may be used to make bread (5)
11 Unwilling cattle run amok (9)
12 Stand back or play aimlessly (7)
13 Teach me to twist the knife (7)
14 One chap comes back holding a ring for a girl (5)
16 He gets the shrubbery into shape (9)
19 He's expected to take notes (9)
20 Work to rule? (5)
22 The dull are attracted by variety (7)
25 Leaves, being of agile disposition (7)
27 Wicked, and I can't, alas, reform (9)
28 Examination essay? (5)
29 Gift firm commonly excluded from criticism (7,7)

DOWN

2 Memorial of one's death (9)
3 Sort of wine of earlier vintage? (5)
4 Glass or beer-mat needs changing (9)
5 I shut the door on religion (5)
6 It may be adjusted for the rest of the holiday (4,5)
7 Rodent that is about to become angry (5)
8 Beg for an adjustment in net rate (7)
9 No robe for a king (6)
15 One nurse can become unsettled, maybe for life (9)
17 Left a sheet listing one's financial assets (9)
18 The impression one gives is not genuine (9)
19 Allies provide fresh meat to consume (5,2)
21 Pointer to what the heckler tries to do (6)
23 Turner writes bi-lingual articles (5)
24 Tube holding a gold coin (5)
26 Ease off the downward pressure? (3,2)

Solution to Puzzle No 6,042

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	49.2	52.4	-0.1	7.61
Growth Trust	51.4	54.7	+0.2	2.24
Income Trust	54.3	57.8		5.07

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.8	71.3		1.96

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

T.G.T	118.2	125.8	+0.3	3.53

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy May 9		105.8		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser 1	204.0	214.8		—
Equity Ser. 1	103.8	105.3	-0.2	—
Prop. Acc. Ser 2	274.7	289.2		—
Equity Ser 2	110.0	115.8	-0.4	—
Selective Acc	236.7	249.2	-0.4	—
Prop Ser 4	216.9	228.4		—
Equity Ser. 4	113.5	119.5	-0.2	—
Fixed Int. Ser 4	195.5	205.8	+2.9	—
Indexed Inv. Ser. 4	116.1	122.3	-0.3	—
American Ser 4	266.7	280.8		—
High Inc. Ser 4	287.0	296.7	+0.5	—
Japan Ser 4	228.3	240.4	+0.7	—
Man. Ser. 4	350.6	369.1		—
Money Ser 4	192.8	203.0		—
European Ser 4	105.2	113.9	-0.5	—
Pension Funds				
Property	350.8	369.3		—
Equity	763.9	804.2	+0.6	—
Selective	249.4	262.6	+0.4	—
Managed	615.0	648.3	+1.0	—
Security	330.1	347.7		—
Fixed Int	206.3	217.2	+2.7	—
European	167.3	176.2	-1.0	—
American	224.2	236.1	-0.2	—
Japan	234.8	247.2	+0.9	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303

Life Funds (Accumulator Units)				
Squirrel	10.49	11.05		—
Bear	11.29	11.89	+0.06	—
Owl	11.65	12.27	+0.03	—
Bull	12.97	13.66	+0.11	—
Stag	12.50	13.16	+0.05	—
Gilt Edged		11.27	+0.04	—
Deposit		4.65		—
Pension Funds (Accumulator Units)				
Squirrel	11.11	11.70		—
Bear	12.15	12.79	+0.08	—
Owl	12.57	13.24	+0.00	—
Bull	14.54	15.31	+0.17	—
Stag	13.95	14.69	+0.07	—
Gilt-Edged		11.34	+0.05	—
Deposit		9.76		—
Exempt Approved				
Mixed Managed	131.04	133.72	-0.71	—
Gilt-Edged	11.34		+0.05	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd. Acc.	711.1	748.4	-0.7	—
European Fd Accum	188.0	197.9	+0.2	—
Fixed Int. Acc	303.0	324.3	+1.5	—
Gtd. Money Fd Ac	197.2	207.6		—
Intl. Man. Fd. Acc	299.0	314.6	-0.5	—
Intl Fxd Int Fd Acc	175.0	184.9	+0.2	—
Japan Fund	229.0	241.8	+0.6	—
Nth American Fd Acc	170.7	179.7	-0.1	—
Prop. Fd. Acc.	199.2	209.7		—
Multiple Inv. Acc	501.3	527.7	-0.2	—
Pension Funds				
Eq Pen Fd Acc	1281.3	1348.7	-1.7	—
Euro Fd Acc	237.3	249.7	+0.2	—
Fixed Int. Acc	577.9	608.3	+4.1	—
Gt Money Pn Acc	319.3	336.1	+0.1	—
Intl Man Fd	420.7	442.8	-0.9	—
Jap Pen Fd Acc	307.7	323.8	+1.2	—

City of Westminster Assurance
Sentry House 500 Avebury Boulevard Cent Milton Keynes MK9 2LA Tel 0908 606101-660888

Current Series				
Property Fund	111.0	117.7		—
Money Fund	218.0	229.5		—
Managed Fund	401.2	432.4	+0.1	—
Equity Fund	250.0	263.2	+0.2	—
Fixed Interest Fund	151.1	159.1	+0.9	—
Far East Fund	180.6	190.2		—
North American Fund	189.4	199.6	-0.3	—
Natural Resources Fund	133.5	140.6		—
S.U.N. Flag Fund	124.2	130.8	+0.5	—
Pension Managed Fund	377.5	397.4	+2.6	—
Pension Equity Fund	240.3	253.0	+0.5	—
PBR Fund	121.1	127.7		—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	129.2	136.1	+0.1	—
Equity	148.8	157.7	-0.3	—
Property	107.5	113.2	+0.1	—
Gilt & Fixed Interest	118.1	124.4	+0.2	—
Indexed Securities	102.5	107.9		—
Cash	105.7	111.3		—
North American	100.2	114.0	-1.2	—
Far East	114.9	121.0	+1.1	—
International	117.0	124.1	-0.1	—
Special Situations	140.3	147.7	+0.8	—
International Income	136.4	143.6	+0.9	—
American Income	111.3	117.3	-0.9	—
European	129.2	136.0	-0.1	—
Flexible Retirement Plan				
Mixed	131.7	138.7	+0.5	—
Equity	145.1	152.8	+0.2	—
Property	110.6	116.5	+0.1	—
Gilt & Fixed Interest	125.5	132.2	+1.1	—
Indexed Linked	106.6	112.3	+0.1	—
Cash	113.2	119.2	+0.1	—
North American	113.9	120.0	+0.1	—
Far East	124.1	130.7	+1.5	—
International	123.1	130.3	+0.9	—
Special Situations	156.3	164.6	+1.3	—
European	141.0	148.5	-0.2	—
Executive Investment Pension Plan				
Prices on June 4. Unit dealings on Wednesday				
Cash Fd	135.4	142.6		—
Mixed Fd	190.5	200.6		—
Fixed Int. Fd	154.7	162.9		—
UK Equity Fd	222.0	233.7		—
Property Fd	128.6	135.4		—
Overseas Fd	182.5	192.2		—
Index Linked Fd	113.6	119.6		—
Stock Ex. Fd	154.2	162.4		—
North Am Fd	120.7	127.1		—
Far East Fd	125.8	132.5		—
Special Sits Fd	150.8	158.8		—
Europn Fd	143.1	150.7		—

Initial prices available on request
For other prices telephone 0272 290566

Clerical Medical Managed Funds Ltd
15 St James's Sq, London SW1Y 4LQ 01-930 5474

Cash	167.6	167.6		—
Mixed	277.9	284.8		—
Fixed Interest	245.4	249.1		—
UK Equity	325.7	335.9		—
Property	147.3	153.9		—
Overseas	279.9	293.9		—
Index Linked	129.1	171.0		—
Stock Exchange	159.5	163.5		—

Prices on June 4. Unit dealings on Weds

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD 01-248 9861

CML (Unit Assurance)				
Key		154.33		—
Pacemaker		179.17		—
Cash	119.03	125.29		—
Equity	223.85	235.63		—
Fixed Interest	168.56	177.43		—
Managed	180.79	190.77		—
Property	147.64	208.00		—
CML (Pension Annuities)—Rainbow Plans				
Cash Cap	115.48	121.57		—
Cash Inv	125.51	132.12		—
Equity Cap	296.78	312.41		—
Equity Inv	322.56	339.54		—
Fixed Int Cap	179.05	189.33		—
Fixed Int Inv	195.47	205.77		—
Index Link Cap	114.64	120.68		—
Index Link Inv	124.60	131.16		—
Managed Cap	224.61	236.44		—
Managed Inv	244.12	256.98		—

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... | $17.51 | +0.14 | -

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ... | $16.27 | +0.09 | —
Inv. Adv.: M & G Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... | $15.26 | +0.28 | —
Dynamic Gwth Fd. ... | $17.50 | +0.32 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund. ... $11.43 | 12.11 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	9.05		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	10.39	7.77	11.34	6mth
7-day Fnd	10.24	7.43	11.17	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.98	7.46	10.70	6-Mth
7-day Fund	9.71	7.26	10.41	6-Mth
Dollar	5.47	—	..	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.80	9.82	Qtr
Aitken Hume 30 City Road EC1Y 2AY 01-638 6020				
Treasury Acc	9.25	4.91	4.99	Qtr
Mon. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HICA	10.5	7.85	11.46	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH 01-628 8060				

NOTES

... tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	28	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	90	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	128
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs.	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Chip	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd.	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds.	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Price crisis takes heavy toll in Thai tin industry

By Boonsong K'Thana in Bangkok

THE COLLAPSE of the world tin price following the failure of the International Tin Council's market support operation last October has plunged Thailand's tin mining industry, the world's third largest, into the worst crisis in its history.

Before the failure tin was worth around £8,500 a tonne; now it fetches only £3,600 or so, well below the break-even level of all but a few Thai miners. Overall the average production cost for Thai tin is put at between £4,950 and £5,500 a tonne.

The Government has implemented most of the relief measures sought by the mining companies to ease the pain of the new situation: last week, for example, the Finance Ministry announced a temporary reduction in business and local municipal taxes on tin exports from 2.2 per cent to 1.1 per cent. But still companies are going bankrupt and the casualty list among the tin mining workforce is growing.

Latest figures from the Department of Mineral Resources show that in the first four months of this year 221 of the country's 596 active mines ceased operating. And of the remainder 166 mines have cut the working day from 16 hours to ten. Up-to-date employment figures are not available but it has been estimated that at least half of Thailand's 32,000 mine workers could soon be out of a job.

The crisis has taken its toll of big and small miners alike. Major long-established companies, especially those operating large dredgers to scoop up the tin-rich deposits along southern Thailand's west coast, have been forced to cut back their activities substantially or to cease working.

Workers laid off

Aokam Thai and Tongkah Harbour, Thai state companies associated with the Malaysian Mining Corporation, suspended the operation of three dredgers in April and laid off some 300 workers. Many other dredger operators are expected to follow suit. Aokam's net profit dipped to 14.66m baht (£380,000) last year from 15.69m in 1984 while Tongkah Harbour's shrank to only 3.62m baht from 10.67m.

With few Thai miners able to sell tin at a profit the recent lifting of ITC export controls is unlikely to make much difference to the companies' fortunes. According to a recent survey only 25 per cent of Thailand's tin production is viable at the going market rate of £3,600 a tonne. Another 10 per cent is priced at £3,800 a tonne, 6 per cent at £4,150, 6 per cent at £4,400, 10.5 per cent at £4,950, 10 per cent at £5,250, 25 per cent at £5,500 and 7 per cent at £5,780.

But the Mining Industry Council, the largest grouping of Thai miners, and Thailand Smelting and Refining (Thaisarco), the country's largest smelter and metal exporter, agree that exports this year are likely to be similar to last year's 15,800 tonnes, based on current price ranges and expected stable world demand.

Tin exports

Thaisarco figures show that Thai tin exports in the first four months of 1986 dropped to 6,182 tonnes from 7,522 in the corresponding period of 1985.

Although it remains one of Thailand's major foreign exchange earners tin's role in the national economy had been eroded even before the current crisis hit. In 1980 the country earned 14.93bn baht from the export of 33,445 tonnes, but by 1984 exports were down to 18,332 tonnes, worth 7.03bn baht. If, as miners and officials expect, current price levels are held for the rest of this year a repeat of last year's export total would earn only 2.2bn baht (£57m).

Relief measures for the industry already implemented by the Thai Government include the lifting of a 20-year-old ban on the export of tin concentrate, tax cuts and reductions in export royalties, which used to be the highest of any member country of the Association of South-East Asian Nations. In addition the cabinet has approved a proposal for the creation of a local tin tockpile operated by encouragement of capital gains tax exemption.

While these measures are welcome mining companies realise that their continued survival will depend chiefly on their own efforts to cope with the crisis, and many are diversifying into other mineral ventures.

One minor silver lining has accompanied the tin crisis cloud as far as Thailand is concerned—the once rampant smuggling of tin concentrate to Singapore has dropped sharply in response to the low price level, the reduction in royalty and the lifting of export control. But it will take much more than this to bring the smiles back to the faces of the country's struggling tin miners.

British farmers hope for refuge in the woods

BY ANDREW GOWERS

BRITAIN'S FARMERS hope they have found a new bolt-hole in which to shelter from the troubles of the Common Agricultural Policy.

With the EEC budget stretched to breaking point by the payment of conventional farm subsidies, intervention stores groaning with unwanted produce, and the range of alternative uses for their surplus land looking more limited by the month, they are on the hunt for more politically acceptable forms of public support. And they think they have found an answer in that most basic of crops, the tree.

In its policy document, "Farming Trees," published yesterday, the National Farmers' Union says the Government should mount a major support programme for farmers who switch some of their land into forestry.

By doing so, the NFU claims, the UK and EEC authorities could fulfil an impressive number of policy goals at once:

● They could reduce the costs of conventional agricultural support by removing land from production.

The NFU estimates that on current production and yield trends, some 150,000 hectares of arable and grazing land will have to come out of production every year over the next decade if cereal and livestock output is not to rise even further. By transferring, say, 500,000 hectares to forestry, at an estimated maximum cost to the public purse of £50m a year, the EEC could save itself more than £100m on agricultural support on the basis of today's prices, the document—perhaps optimistically—suggests.

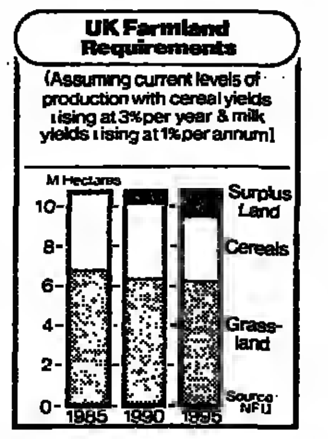
● They could boost Britain's forested area, which might lead to environmental gains. Although there was a time when two-thirds of Britain was under trees, forests currently account for only 9 per cent of the UK land area, less than half the EEC average.

● They might create jobs in rural areas, where employment has long been dwindling with the increasing mechanisation of agriculture.

● They could cut the import bill. Timber imports currently cost Britain £4.5bn a year. In addition, British timber growers see growing demand for their products in the various processing industries over the next few decades.

The NFU's plan will strike a chord in Brussels, where the European Commission has been trying for many years to interest member states in developing a forestry policy and recently proposed a system of grants for switching land to deficit crops.

For the EEC as a whole, for instance, the deficit on trade in forestry products totals Ecu 18bn a year, making timber the second largest net import after energy. The Commission, too, is looking with increasing



desperation for ways of containing the agricultural production and expenditure spiral.

But whatever the grandiose claims made for trees, the obstacles to putting such a support policy into practice are enormous. Principal among them is the abnormally long lead-time between the initial, often hefty, investment in a tree plantation and financial viability.

This is one reason why farmers have traditionally displayed little interest in planting trees for commercial purposes, or even in using the existing clumps of trees on their land in this way. Trees have simply not been able to compete for their attention with the more immediate and regular returns provided by annual crops like cereals.

The NFU has its own answer to this problem: it says the authorities should stump up for farmers' lost income in the years before trees start to bring a return. But that in itself begs a big question, since politicians—who would have to adopt such a policy—are not exactly renowned themselves for long-term thinking.

In a discussion document on forestry circulated earlier this year, the European Commission notes:

"It often takes more than a century to grow good broad-leaved trees. The result is that forestry is generally relegated to the fringes of day-to-day policy-making because it involves thinking over the very long term and calls for schemes which generally last longer than a single budget year or even a parliament.

"This peculiarity doubtless explains why . . . all attempts to establish a proper forestry policy since 1959 have failed."

There are already signs of this attitude in the noises emanating from Whitehall about the tree-growing idea. While Mr Michael Jopling, the Agriculture Minister, is trying to encourage debate about schemes which will give incentives to take land out of production, it is not clear that either he or his officials have the stomach for the sort of long-term commitment required in a forestry programme.

The NFU's idea that subsidies should be paid at different levels to farmers all over the country, depending on their efficiency and therefore on the income they stand to lose by taking land out of cereals, is also not likely to go down well in the Ministry of Agriculture. Whitehall's stated preference is for schemes that would encourage the less efficient producers on marginal land to lay it fallow.

Secondly, there are the problems of harvesting and marketing. Because much farm woodland is grown in small clumps, it has often not been considered viable to harvest it. Nor is the marketing infrastructure for timber in the UK and elsewhere in the Community particularly sophisticated.

It is a vicious circle. Wood processing industries are unlikely to be encouraged to set up shop where they are not assured of stable outlets at a fair price. Setting up farmer co-operatives is one way round this.

But if the NFU is to get debate going on its idea by the time the 1987 EEC price-fixing comes along next spring, it clearly has an enormous amount of talking to do.

Cash price leaps in aluminium squeeze

BY STEFAN WAGSTYL

PRICES OF aluminium for immediate delivery leapt on the London Metal Exchange yesterday as the market was caught very short of metal.

The premium of cash aluminium over metal for three months' delivery widened to £92 a tonne in hectic trading before narrowing later to finish at £53.75 at the close. Normally, cash metal trades at a discount to metal for future delivery reflecting the cost of financing and carrying the costs.

Cash aluminium, which closed at £850 a tonne yesterday, has been trading at a premium to the three months' price since the middle of April in response to fears that US producers might be hit by strikes during pay talks with their workers.

The premium rose last week from £17 to £58.75 a tonne after news of strikes at several North American plants. This was compounded yesterday by the announcement of a 5,500 tonne fall in LME warehouse aluminium stocks and the widespread fear that the International Primary Aluminium Institute would today publish monthly figures showing a drop in stocks.

However, traders said that the underlying reason for the sudden jump in the premium—or "backwardation"—yesterday was due to a trading company deliberately manipulating the market. It was trying to take advantage of aluminium consumers who were short of metal.

The trading company had succeeded in driving up prices because the LME market was still suffering from a lack of liquidity following the tin crisis. "The market is still very, very thin," said one dealer.

Traders could not predict how long the squeeze might last. But one said that the premium was unlikely to rise above £60 a tonne for very long since at that level holders of stocks of metal of 99.7 per cent purity would be tempted to deliver it on to the LME which primarily trades a contract in metal of 99.5 per cent purity.

Meanwhile, Alcan Aluminium workers at a primary smelter at Sebree, Kentucky, went on strike yesterday after pay talks broke down. Trade union officials warned that a long stoppage could be in prospect.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

		(tonnes)
Aluminium	−5,500	to 132,150
Copper	+3,325	to 137,275
Lead	−975	to 57,375
Nickel	−84	to 7,554
Tin	−1,335	to 53,830
Zinc	+2,350	to 47,450
		(ounces)
Silver	−40,000	to 37,422,000

EEC Ministers welcome US trade row move

EEC FARM ministers yesterday welcomed what they saw as a conciliatory move by Washington designed to defuse a trade row which threatens to flare up between the two sides next month, reports Reuter from Wageningen.

Mr Richard Lyng, the US Agriculture Secretary, has invited all the ministers to talks over dinner ahead of their next formal meeting in Luxembourg on June 24.

The object is to discuss America's plans to impose quotas from July 1 on a range of EEC products including cheese, still wines and spirits because it claims it has lost vital agricultural markets as a result of Spain joining the EEC. Ministers meeting here for informal talks generally saw Mr Lyng's invitation as a "sign of goodwill," one EEC official said.

But he said Mr Francois Guillaume, the French Minister, expressed the view that the ministers should decline the invitation and that the EEC should be represented only by the Commission and the Dutch Minister, present president of the Council of Ministers.

Mr Michael Jopling, the British Minister, said the meeting with Mr Lyng, who will be in Luxembourg to address an animal feed conference, would be "a good opportunity for us to express our views about current US policy."

Coffee quota system criticised

BY OUR COMMODITIES STAFF

THE INTERNATIONAL Coffee Organisation's distribution of export quotas has come under attack from European importers. In a statement issued after its biennial congress at the weekend, the European Coffee Federation (ECF), which comprises roasters and traders, said it felt "the" current distribution reflects neither the availability in producing countries, nor the quality preferences of consumers."

"We would like a say in working out the quota mechanism," an ECF official said in Trieste.

ICO export quotas were suspended earlier this year following a sharp price rise caused by last year's prolonged drought in Brazil. Prices have since fallen back a long way, but at about 166 cents a pound the ICO 15-day average indicator price remains well above the 134 cents level which would trigger the reintroduction of quotas.

"I do not believe we will have quotas before the end of 1986 at the earliest," Mr Joaquim Ferreira Leite, commercial director of the Brazilian Coffee Institute (IBC), said at the congress.

But whether or not the quota system has been reactivated national shares of the total will be renegotiated in September, and the federation is keen to have its reform proposals ready by then. In its statement it said one of the first tasks of a newly-created committee of trade advisers to the ICO would be "to examine the existing arrangements. The committee will examine means of achieving greater flexibility through the use of such mechanisms as floating quotas, front-loading and selectivity.

The federation's efforts to influence the future shape of the ICO quota system may be frustrated, however, because of Brazil's determination to hang on to its 30 per cent share of the quota total. "Our president (Mr Paulo Graciano) has said we want to stay in the International Coffee Agreement but if there is a move to cut our percentage we will pull out," Mr Leite warned the Europeans.

If there is no frost in the coffee belt in the next few months Brazilian coffee production, which is forecast to fall to 14.7m bags (60 kilo each) this year from last year's 30m bags, will recover next year to between 22m and 25m bags, he predicted, adding: "If we do not have a frost there is no need to cut Brazil's 30 per cent share of the export quotas but if there is a frost prices will go so high that we will not need any quotas."

Mr Leite was critical of some coffee roasters, the poor quality of whose blends he blamed for stagnating or declining consumption in certain industrialised countries. The quality of coffee "is being disguised in some blends . . . it is not getting the treatment it deserves," he said. In contrast he cited the sharp consumption rise in Japan, which he said had been encouraged by the high quality of coffee reaching consumers.

The IBC director did not name the countries where he thought poor quality was hitting consumption, but traders at the congress said they were in no doubt that he was referring to the US and West Germany.

LONDON MARKETS

COFFEE VALUES fell sharply on the London futures market yesterday influenced by heavy losses on the New York market. But the £53.50 fall in the September position to £1,887.50 a tonne did not fully reflect the New York setback as operators opted to narrow the differentials between the two markets. No fresh fundamental news was apparent to influence the market but buyers speculative buying was discouraged by weather reports suggesting there was no immediate danger of frost in the Brazilian coffee belt. Dealers said sentiment remained depressed by the plentiful supplies available in Europe and the US. On the London Metal Exchange lead and zinc prices eased back despite the announcement by A. M. & S. Mining of Australia that it had declared force majeure on concentrate shipments for the two metals because of the continuing strike by underground workers at its Broken Hill mines.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	840-51	+34.0	885/865
3 months	795.5-7	+10.5	802/780

Official closing (am): Cash 885-90 (812-3), three months 797-8 (776-7), settlement 890 (813). Final Kerb close: 788-80.
Turnover: 40,600 tonnes.

COPPER

	Unoffic'l close	+ or −	High/low
Cash higher grade	951.2	+0.5	964.5/958
3 months grade A	961.2	+3.25	961/958

Official closing (am): Cash 958.5-9 (956-60), three months 958.5-9 (956.5-70), settlement 959 (960). Final Kerb close: 964-4.5.

Cash Cathodes	940-50	+7.0	940/946
3 months standard	947.0	+7.0	946.5/945

Official closing (am): Cash 946-50 (948-50), three months 945.5-6 (945-6), settlement 950 (950). US Producer prices 66.50-70.00 cents per lb.
Total turnover: 27,075 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	274.5-5.5	−4.5	281.0/281
3 months	277-8	−4.0	284/277.5

Official closing (am): Cash 281-1.5 (281-1.5), three months 282-2.5 (282-3), settlement 281.5 (281.5). Final Kerb close: 279-80.
Turnover: 7,050 tonnes. US Spot 19.00-22.00 cents per lb.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	2760-5	+37.5	2720/2700
3 months	2765-70	+20.0	2770/2745

Official closing (am): Cash 2725-30 (2690-5), three months 2740-5 (2730-5), settlement 2730 (2695). Final Kerb close: 2766-7.
Turnover: 858 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close — (14.15) ringgit per kg. Public holiday.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	541-2	−11.0	545/545
3 months	543-4	−2.0	559/541

Official closing (am): 544-5 (552-2.5), three months 548-7 (551-2), settlement 546 (552.5). Final Kerb close: 551-2.
Turnover: 18,125 tonnes. US Prime Western: 38.00-38.75 cents per lb.

GOLD

Gold showed little change on the London bullion market yesterday, but dealers commented upon an underlying nervousness about the situation in South Africa. The metal rose $¼ to $341¼-342¼. It opened at the same level, and was fixed at £341.85 in the morning and £341.80 in the afternoon. Gold finished at the day's peak, and touched a low of $341-341½.

GOLD BULLION (fine ounce) June 9

Close	$341¾-342¼	(£226¾-227¼)
Opening	$341¾-342¼	(£228-228½)
M'n'g fix	$341.85	(£228.280)
Aft'n'n fix	$341.80	(£226.019)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$341½-342¼	(£226-228¼)
½ Krug.	$178¼-181¼	(£120-121)
¼ Krug.	$91¼-90½	(£61-61¾)
1/10 Krug.	$37-38	(£24¾-25¼)
Mapleleaf	$352¼-352¾	(£235-235½)
Angel	$351-353½	(£234¼-235¾)
1/10 Angel	$34¼-36¼	(£22¼-23¾)
New Sov.	$81¼-82	(£54¼-54¾)
Old Sov.	$86½-88	(£57¼-58¼)
$20 Eagle	$430-470	(£287-315¼)
NoblePlat	$438-441	(£291-294¼)

SILVER

Silver was fixed 2.1p an ounce lower for spot delivery in the London bullion market yesterday at 343.85p. US cent equivalents of the fixing levels were: spot 514.6c, down 0.9c; three-month 523.05c, up 0.1c; six-month 532.1c, down 0.1c; and 12-month 550c, down 0.85c. The metal opened at 342-343½p (515½-517½c) and closed at 345½-347p (518-520c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	343.85p	−2.10	348.5p	+3
3 months	351.55p	+2.10	355.75p	+7.7
6 months	359.20p	+2.00	—	—
12 months	374.20p	+2.25	—	—

LME—Turnover: 8 (11) lots of 10,000 oz.

Cash high/low 342p, three months high/low 355.5p, final kerb 355-6p.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing June 2 amounted to 436 tonnes against 433 tonnes in the previous week. Fair trading was seen with interest in West African, Russian, American and Colombian growths.

INDICES

REUTERS

June 6	June 5	M'th ago	Year ago
1682.0	1686.8	1790.4	1775.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 6	June 5	Month ago	Year ago
Spot	135.20	135.52	—	118.26
Fut.	115.55	115.60	—	121.55

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	June 9 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1400/450	+85	$1307/327
Copper			
Cash h Grade	£951.5	+6.5	£984
3 mths	£961.5	+8.25	£930.25
Gold Troy oz	$342	+9.25	$346.25
Lead Cash	£275	−4.5	£239.5
3 mths	£277.5	−4	£246.25
Nickel			
Free Mkt	182/205c	+1	184/204c
Palladium oz	$108.75		$110.00
Platinum oz	$422.50	+0.35	$465.05
Quicksilver†	$210/220		$220/266
Silver troy oz	343.85p	+0.10	357.50p
3 months	351.55p	+0.30	345.80p
Tin			
free mkt	£3650/700		£3520/40
Tungsten	$50.15		$65.07
Wolfram 22.0lb	$42/50		$45/55
Zinc	£541.5	−11	£431.75
3 months	£543.5	−8	£465.05
producers	$800		$790/730
OILS			
Coconut (Phil)	$255u		$250
Palm Malayan	$342.0z		$545
Copra Phil	$160u	−5	$155
Soyabean (U.S.)	$149y		$154
GRAINS			
Barley Fut.Sept.	£98.10	+0.30	£88.40
Maize	£100.00		£145.00
Wheat Fut Sept.	£99.60	+0.20	£117.00
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1364.5	−0.0	£1506.0
Coffee Ft. Sept	£1887.5	−53.5	£1998.5
Cotton A Ind.*	42.05c		46.80c
Gas Oil July	$114.5	−0.5	$150.75
Rubber (kilo)	58p		55p
Sugar (raw)	$173u	+2.5	$210
Wooltops 64s	422p kilo		425p kilo

‡ Unquoted. † Per 75lb flask. c Cents per pound. x July. u June-July. y July-Aug. * Cotton outlook.

MEAT

Prices remained steady but in very quiet conditions with physical prices unchanged, reports Eastern Capital CCST.

PIGMEAT Month	Y'day's close	+ or −	BEEF Y'day's close	+ or −
June		—	188.50	—
July	105.50	—	185.00	—
Aug.	103.80	+5.80	185.55	—
Sept.	110.20	+8.40	—	+0.50

Pigmeat sales: 23 (8) lots of 50 carcases, 3,250 kg.
Beef sales: 2 (8) lots of 20 sides.
MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 104.49p per kg lw (−5.25). GB—Sheep 243.96p per kg est dcw (−7.25). GB—Pigs 81.28p per kg lw (−5.15).

COCOA

Futures remained in a tight trading range throughout a dull day and closed virtually unchanged. No physical activity was noted either from producers or consumers, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
July	1337-1339	−8.5	1346-1336
Sept.	1364-1365	−0.5	1367-1358
Dec.	1400-1401	−0.5	1402-1395
March	1429-1430	—	1436-1425
May	1447-1450	+1.5	1446
July	1463-1470	−0.0	1465
Sept.	1478-1486	—	1480

Sales: 1,426 (6,311) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for June 9: 88.24 (88.95); five-day average for June 10: 87.02 (86.44).

COFFEE

In a featureless market and with mild weather in Brazil forecast for a few days, levels gradually eroded. Most of the selling was liquidation from longs of the latter half of last week. A weak New York market added further pressure, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
July	1845-1855	−45.0	1875-1854
Sept.	1885-1890	−53.5	1917-1879
Nov.	1930-1935	−46.5	1950-1915
Jan	1965-1969	−45.0	1988-1955
Mar.	1980-1985	−50.0	1995-1975
May	1980-2005	−55.0	—
July	1980-2030	−87.5	—

Sales: 6,575 (5,687) lots of 5 tonnes.

ICO indicator price (US cents per pound) for June 3: Comp. daily 1979 160.94 (161.1): 15-day average 165.00 (166.31).

SOYABEAN MEAL

	Latest close £ per tonne	+ or −	Business Done
June	125.5-126.5	+1.25	—
August	124.5-125.2	+0.15	124.0
October	125.5-126.8	+0.15	126.0
Dec.	125.5-126.0	—	—
Feb.	127.8-128.5	+0.05	—
Apl.	128.0-100.0	+0.55	—
June	127.5-100.5	+0.05	—

Sales: 00 (280) lots of 20 tonnes.

GRAINS

Old crops steadied on shipper short-covering while new crops firmed on shipper and merchant support, anticipating a bullish verdict on new crop settlements, reports T. G. Roddick.

WHEAT Mnth	Yesterday close	+ or −	BARLEY Yesterday close	+ or −
July	113.75	+0.25	—	—
Sept.	99.60	+0.20	98.15	+0.38
Nov	102.05	+0.15	101.50	+0.35
Jan	106.05	+0.10	104.58	+0.35
Mar.	107.65	+0.05	107.15	+0.55
May	110.15		108.30	

Business done—Wheat: July 112.75-2.50, Sept 99.65-9.60, Nov 102.10-1.90, Jan 105.10-5.05, March 107.75-7.65, May untraded. Sales: 46 lots of 100 tonnes. Barley: Sept 98.15-8.00, Nov 101.50-1.45, Jan 104.55-4.45, March 107.10 only, May 108.30 only. Sales: 34 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent, July 103.50, Aug 102.50, transhipment east coast. US No 2 soft red winter, June 93.75, July 91.50, Aug 92.50. EEC first-half June 130.00. English feed fob, June 117.00, Sept 101.00 value, Oct/Dec 105.50/106.00, Jan/March 110.50/111.00, April/June 114.50/115.00 buyer/seller. Maize: US No 3 yellow/French transhipment east coast. June 138.00. Barley: English feed fob. June 113.00 seller, July/Aug 99.50/100.00 buyer/seller, Aug 99.50, Sept 101.00, Oct/Dec 106.00, Jan/March 111.00 sellers.

US MARKETS

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
June	56.10	—	—	55.30
July	56.10	57.00	56.80	56.30
Aug	56.70	—	—	56.05
Sept	56.30	56.00	55.00	54.00
Dec	55.55	—	—	55.05
Jan	55.65	—	—	55.15
March	55.75	—	—	55.25
May	55.85	—	—	55.35
July	55.95	—	—	55.45
Sept	55.05	—	—	55.55

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1788	1820	1785	1826
Sept	1846	1876	1844	1885
Dec	1899	1924	1895	1936
March	1940	1960	1940	1973
May	1975	1984	1984	1998
July	2010	—	—	2028
Sept	2037	—	—	2055

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
July	183.43	—	183.30	193.55
Sept	188.15	193.50	187.95	197.25
Dec	197.00	197.00	197.00	201.00
March	200.55	200.55	200.55	204.55
May	203.75	—	—	307.75
July	206.00	—	—	210.00
Sept	208.00	—	—	212.00

COPPER 25,000 lbs, cents/lbs

	Close	High	Low	Prev
June	64.00	63.75	63.75	63.90
July	64.25	64.80	63.85	64.10
Aug	64.30	—	—	83.80
Sept	64.30	64.65	64.00	64.15
Dec	64.55	64.85	64.30	64.40
Jan	64.65	—	—	64.50
March	64.85	65.30	64.80	64.70
May	65.10	65.25	65.00	64.[illegible]
July	65.35	65.60	65.80	65.20
Sept	65.60	55.60	55.60	65.45

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	67.37	65.89	67.30	68.18
Oct	33.37	33.80	33.37	34.10
Dec	33.77	34.28	33.75	34.50
March	34.50	35.57	34.55	35.38
May	35.46	35.80	35.46	36.21
July	36.46	36.90	36.46	07.05
Oct	37.20	37.40	37.30	37.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Close	High	Low	Prev
July	12.73	12.85	12.50	12.76
August	12.70	12.84	12.45	12.69
Sept	12.82	12.90	12.50	12.78
Oct	12.90	12.94	12.55	12.86
Nov	13.05	13.05	12.70	12.94
Dec	10.02	13.30	12.80	13.03
Jan	10.15	13.15	12.83	13.03
Feb	10.00	13.03	13.00	13.05
March	13.00	13.05	13.00	13.05
April	13.05	13.10	13.00	13.05

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	351.1	352.5	341.5	341.5
July	352.6	—	—	342.5
August	354.2	355.5	344.2	344.0
Oct	357.6	356.5	348.1	348.1
Dec	361.5	362.4	391.0	351.0
Feb	365.1	365.5	355.0	355.4
April	368.9	367.5	363.0	359.1
June	372.0	373.0	362.0	362.8
August	377.1	378.0	372.7	367.1
Oct	381.4	381.5	371.4	371.2
Dec	386.0	—	—	375.7
Feb	390.8	383.5	379.5	380.4
April	395.7	—	—	384.5

HEATING OIL 42,000 US gallons, cents/US gallon

	Latest	High	Low	Prev
July	37.10	37.68	36.15	37.13
August	37.70	38.20	36.65	37.79
Sept	38.50	38.90	37.65	38.74
Oct	38.40	39.55	38.60	39.58
Nov	40.55	40.56	39.80	40.38
Dec	41.20	41.80	40.40	41.14
Jan	41.95	41.95	41.05	41.74
Feb	42.30	42.30	41.70	41.74
March	40.30	40.00	39.90	0.74
April	37.85	37.75	37.75	38.94

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	98.90	100.10	98.00	100.75
Sept	98.85	102.00	98.50	101.05
Nov	99.75	101.75	99.75	102.75
Jan	101.25	103.80	101.25	104.15
March	102.15	104.50	102.30	104.75
July	103.65	105.00	105.00	106.00
Sept	103.65	—	—	108.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	445.1	425.0	425.0	420.7
July	446.6	446.8	421.5	421.8
Oct	450.4	450.6	425.5	425.5
Jan	452.5	452.5	428.5	427.3
April	456.3	444.0	431.0	430.5
July	458.2	448.0	437.0	434.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	537.7	521.5	513.5	516.
July	540.6	541.5	518.5	519
August	543.3	540.6	540.5	519
Sept	546.6	549.5	522.5	525
Dec	556.4	558.5	532.5	535.
Jan	559.6	553.5	553.5	538.
March	566.2	565.6	550.0	54[illegible]
May	573.0	570.6	560.5	551
July	580.0	565.6	563.0	558
Sept	587.4	576.5	565.0	565.

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
July	6.99	7.39	6.85	7.
Sept	7.15	7.49	7.47	7.
Oct	7.25	7.68	7.17	7.5
Jan	7.45	7.74	7.45	7.6
March	7.76	8.11	7.70	8.0
May	7.92	8.25	7.92	8.2
July	8.06	5.38	8.06	8.4
Sept	8.22	—	—	8.1
Oct	8.23	8.23	8.23	8.7

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	High	Low	Prev
June	53.77	55.22	53.75	54.6
Aug	51.05	52.95	50.97	52.1
Oct	50.40	51.72	50.35	51.2
Dec	52.32	53.50	52.25	53.1
Feb	52.50	53.55	52.35	53.2
April	54.00	54.80	53.50	54.5
June	55.05	55.75	55.05	55.6

LIVE HOGS 30,000lbs, cents/lbs

	Close	High	Low	Prev
June	52.05	52.22	50.95	51.4
July	49.30	49.45	48.85	48.6
Aug	46.17	46.60	45.80	45.3
Oct	41.95	42.10	41.70	41.6
Dec	42.17	42.50	42.00	41.9
Feb	41.80	42.20	41.80	41.9
April	38.75	38.95	38.75	38.8
June	40.65	41.00	40.75	40.6
July	41.22	41.35	41.22	41.2

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	237.0	238.6	236.4	237
Sept	201.4	201.6	200.4	202
Dec	195.6	195.6	193.4	196.
March	204.6	206.0	203.4	206
May	209.6	216.6	209.5	212
July	210.2	211.6	209.6	212
Sept	195.5	200.6	199.0	201

PORK BELLIES 38,000 lbs, cents/lbs

	Close	High	Low	Prev
July	70.62	71.90	70.40	71.4
Aug	68.80	69.75	68.60	68.8
Feb	59.67	59.92	58.15	57.9
March	58.80	59.15	57.40	57.1
May	60.00	61.00	59.25	59.5
July	61.00	62.50	59.60	60.6

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	530.5	533.0	529.5	532
Aug	522.5	526.0	521.4	525.
Sept	508.2	510.5	508.0	513.
Nov	504.4	518.7	504.5	510
Jan	514.0	519.4	513.6	516.
March	524.0	428.4	423.0	430
May	529.4	533.4	529.4	535
July	533.0	536.0	532.0	538
Aug	532.0	—	—	537.

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	148.0	149.3	148.2	149
Aug	147.0	148.0	146.0	147
Sept	145.3	146.5	145.0	146.
Oct	143.5	144.3	142.7	144.
Dec	145.2	146.6	145.5	146
Jan	146.7	147.2	146.5	1[illegible]
March	149.0	150.1	149.5	15[illegible]
May	152.5	152.1	152.5	152
July	155.0	—	—	155

SOYABEAN OIL 60,000 lbs, cents/lbs

	Close	High	Low	Prev
July	16.86	17.10	16.85	17.
Aug	17.02	17.33	17.01	17.
Sept	17.17	17.40	17.17	17.
Oct	17.21	17.40	17.20	17.
Dec	17.56	17.80	17.56	17.
Jan	17.70	17.95	17.70	17.
March	17.95	18.20	17.95	18.
May	18.33	18.51	18.31	18.

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	250.2	253.0	248.4	254
Sept	252.0	255.0	250.4	256.
Dec	260.4	262.4	258.4	26[illegible]
March	259.2	262.5	258.6	26[illegible]
May	249.0	252.0	249.0	252
July	236.2	239.4	236.2	23[illegible]

SPOT PRICES—Chicago loose lard 10.00 (same) cents per pound. Handy and Harman silver bullion 525.5 (517.[illegible]) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $173.00 (£115.50), up $2.50 (up £2.50) a tonne for June-July delivery. White sugar $197.50, up $1.50.

The market held steady following reports of flooding in parts of Cuba but fell to the lows in late trading, reports C. Czarnikow.

No. 6 Contract	Yesterday close	Previous close	Business done
	$ per tonne F.O.B.		
Aug.	157.6-158.6	167.0-168.0	167.4-158.0
Oct	162.2-162.6	171.6-172.6	175.0-162.4
Dec	167.0-169.0	174.2-178.0	176.6
Mar.	172.2-172.5	181.0-181.2	185.0-172.2
May	178.0-178.4	184.6-185.5	185.4-178.0
Aug.	178.0-180.5	188.6-186.0	189.4-183.6
Oct	184.0-188.5	151.2-193.0	—

Sales: 1,677 (1,560) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £220.00 (£216.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for June 5: Daily price 5.97 (5.86); 15-day average 7.03 (7.07).

PARIS—(FFr per tonne): Aug 1421 value, Oct 1450/1457, Dec 1465/1480, March 1500/1510, May 1535/1550, Aug 1570/1595.

POTATOES

The market was quiet but easier after PMB comments that plantings were generally completed. The weather conditions over the next two months will now be the key market factor, reports Colvy and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	87.50	88.60	88.00-87.00
Feb	97.00	98.50	—
Apr	119.50	121.60	120.00-116.60
May	129.60	101.50	—
Nov	87.60	87.60	—

Sales: 406 (362) lots of 40 tonnes.
Earlies—July 107.00, +3.70, 108.00-98.00: Aug 85.00, unchanged: Sept 75.00, unchanged. Sales: 21 lots of 10 tonnes.

FREIGHT FUTURES

The dry cargo market was barely steady with enquiry limited. The tanker market attracted sufficient enquiry to maintain current levels, with activity in the very large crude carriers sector buoyant, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
July	635/638	637/656	639/640
Oct.	696/699	704/696	704/705
Jan.	720/721	725/720	726/730
April	785/790	—	790/794
July	706/710	705/700	700/710
Oct.	786/800	—	780/725
Jan.	810/900	—	845/875
Apr.	850/926	—	850/875
BFI.	665.0	—	664.0

Turnover: 110 (139).

	Close	High/Low	Prev.
	Tankers		
June	1030/1068	1040	1045/1075
July	1040/1065	1070	990/1050
Aug	990/1050	—	1000/1060
Sep	970/1050	—	1010/1056
Dec	1050/1175	—	1050/1125
Mar	1200	—	1100/1288
BTI	1208.e	—	1535.0

Turnover: 33 (43).

OIL

Sellers asked around $12 for June North Sea crudes with buyers countering 25c lower. In forward Brent August through to October, prices for each month are up to 10c above the previous month. Nymex WTI opened 21c down for July and traded 15c down at 1.30 pm EDT. In the petroleum products market gas oil was weaker in typically thin Monday trade. Gasoline and naphtha were weak with little buying interest. Fuel oil was quiet—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	10.25-10.35	−0.05
Brent Blend	11.50-11.60	−0.45
W.T.I. (1pm est)	12.50-12.60	−0.30
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	168-173	−2.5
Gas Oil	110-113.5	−1.25
Heavy fuel oil	50-50	—
Naphtha	115-117	−2

* July Petroleum Argus estimates.

GAS OIL FUTURES

Month	Y'day's Close $ US per tonne	+ or −	Business Done
June	115.75	−0.00	115.00-13.[illegible]
July	114.60	−0.50	115.00-12.[illegible]
Aug	115.25	—	116.50-14.[illegible]
Sep	117.75	−1.55	119.00-17.[illegible]
Oct	120.85	−4.75	121.80-22.[illegible]
Nov	125.05	−4.25	128.25
Dec	125.00	−2.50	—

Turnover: 3,052 (3,080) lots of 100 tonnes.

TEA

61,128 packages were on offer in the London Tea Auction, including 5,800 packages in the offshore section, reports the Tea Brokers' Association. Demand was stronger. Best liquoring and coloury medium East Africans met good competition and prices were often 5-10p dearer by the close, with lesser sorts steady. Central Africans also came in for better enquiry and generally moved 4-6p higher, apart from plainest lines which remained weak. Ceylons met selective demand at lower levels. Offshore teas were quite well supported with prices for brighter descriptions moving dearer, others irregular. Quotations: Quality 190p a kg (190p); medium 140p a kg (135p); low medium 85p a kg (80p).

RUBBER

PHYSICALS — Closing prices (buyers): Spot 58.00 (same); July 56.00p (same); Aug 5[illegible].25p (same).
FUTURES—Index 559, July 556-560, July-Sept 556-558, Oct-Dec 556-558, Jan-March 568-571, April-June 582-586, July-Sept 584-590. Sales: 44.

Norton Opax to sell US lottery systems

OPAX LOTTERIES International, a subsidiary of Norton Opax the lottery tickets concern, has signed an agreement with International Totalizator Systems of San Diego, California to market ITS's instant ticket systems, under licence, for promotional games, lotto and lottery systems.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rally may be temporary

The dollar briefly broke through DM 2.24 on the foreign exchanges yesterday, but soon retreated, amid signs that the recovery was largely technical, following last week's sharp fall. Dealors appeared prepared to sell into the rally, on expectations that the downward trend of the US currency would soon resume. There are no major US economic figures until Thursday's retail sales figures, but after last Friday's disappointing unemployment figures, speculation has grown that the Federal Reserve will ease monetary policy to stimulate growth. Dealers also suspect the Reagan Administration would welcome a further weakening of the dollar, as a move to correct the US trade deficit, but doubts centre on the attitude of the German Bundesbank and Bank of Japan if the dollar falls below DM 2.15 and Y160.

The dollar rose to DM 2.2355 from DM 2.2285; to FFr 7.12 from FFr 7.0950; to SFr 1.8440 from SFr 1.8390; and to Y167.85 from Y167.65.

On Bank of England figures the dollar's index rose to 116.0 from 115.6.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. May average 1.5202. Exchange rate index fell 0.2 to 75.4, after opening at the day's peak of 75.7. Six months ago the index was 80.3.

Sterling weakened as oil prices declined and speculation continued about a cut in UK clearing bank base rates this week. The pound lost 70 points to $1.4975-1.4985, and fell to DM 3.35 from DM 3.3550; to FFr 10.6650 from FFr 10.6775; to SFr 2.7625 from SFr 2.7675; and to Y251.50 from Y252.25.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 132.9 against 129.5 six months ago.

The D-mark weakened slightly against the dollar in Frankfurt, but trading was dull, lacking new factors to give the market direction. Turnover was reported to be only about half the normal volume. The dollar rose to DM 2.2325 from DM 2.2275, largely as a result of a technical correction after last week's sharp fall, but underlying sentiment remained soft, on expectations of lower US interest rates. The German Bundesbank did not intervene at the Frankfurt fixing when the dollar rose to DM 2.2385 from DM 2.2344. The French franc remained firm, trailing around its EMS ceiling against the D-mark, and providing little hope for any cut in German interest rates. On the other hand the German central bank is thought to be reluctant to support the D-mark, within the EMS, for fear of draining funds, and pushing up interest rates, on the domestic money market.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. May average 167.01. Exchange rate index 205.1 against 176.8 six months ago.

The yen showed little change against the dollar in Tokyo yesterday. The US currency eased to Y167.40 from Y167.75, but was slightly above Friday's New York close of Y167.225. The Japanese market inherited a bearish sentiment from the US, after an unexpected rise of 0.2 per cent, to 7.3 per cent in US unemployment, announced Friday. But dealers were cautious of taking out fresh short positions after small Bank of Japan intervention to support the dollar. This may have been less than $50m, but was enough to add a nervous undertone to trading.

£ IN NEW YORK

June 9	Latest	Prev. close
£ Spot	$1.4980-1.4990	$1.5068-1.5075
1 month	0.35-0.32pm	0.35-0.33pm
3 months	0.93-0.91pm	0.93-0.91pm
12 months	2.60-2.48pm	2.62-2.54pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4915-1.5070	1.4975-1.4985	0.37-0.35c pm	2.88	0.97-0.93pm	2.54
Canada	2.0810-2.1010	2.0875-2.0895	0.24-0.14c pm	1.09	0.36-0.21pm	0.55
Nethlnd.	3.75½-3.78¼	3.76½-3.77½	1⅛-1c pm	3.58	3½-3¼pm	3.58
Belgium	68.15-68.75	68.35-68.45	18-13c pm	2.72	46-37pm	2.43
Denmark	12.36½-12.43¾	12.39¼-12.39¾	2⅞-1⅛ore pm	2.18	6⅜-5⅜pm	1.88
Ireland	1.1015-1.1085	1.1025-1.1035	0.07p pm-par	0.38	0.06-0.04d	−0.04
W. Ger.	3.33½-3.36	3.34½-3.35½	1⅝-1⅜pf pm	5.37	4⅞-4pm	4.53
Portugal	223.28-227.33	223.88-227.02	95-280c dis	−10.25	270-805dis	−9.54
Spain	213.44-214.45	214.14-214.47	30-70c dis	−2.80	110-225dis	−3.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 69.70-69.80. Six-month forward dollar 1.89-1.86c pm. 12-month 2.77-2.67c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4915-1.5070	1.4975-1.4985	0.37-0.35c pm	2.88	0.97-0.93pm	2.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 46.55-46.56.

EXCHANGE CROSS RATES

[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 9	Short term	7 Days notice	Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	4½-4⅝	4⅝-4¾	4¾-4⅞	4⅞-4¾	4⅞-4¾	4⅞-4¾
D. Krone	6-8½	8⅛-8⅞	8¼-8⅝	8¼-8⅝	8¼-8⅝	8¼-8⅝
Asian $ (Sng)	7-7⅛	7-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7¼	7⅛-7⅛

Long-term Eurodollars: two years 7⅝-7⅞ per cent; three years 8¼ per cent; four years 8⅛-8⅞ per cent; five years 8⅜-8⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others, two days' notice.

CURRENCY MOVEMENTS

June 9	Bank of England Index	Morgan Guaranty Change %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 9	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

June 9	£	$
[illegible]	[illegible]	[illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 9	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-mark	[illegible]	2.14714	+0.46	[illegible]	[illegible]
French Franc	6.96280	6.84204	−1.73	[illegible]	[illegible]
Dutch Guilder	2.40935	2.41783	+0.35	[illegible]	[illegible]
Irish Punt	0.712956	0.708327	−0.65	[illegible]	[illegible]
Italian Lira	1496.21	1475.06	−1.41	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Prices steady

Pricies steadied in the London International Financial Futures Exchange yesterday after Friday's sharp rise in Chicago. Trading on Friday afternoon in the US saw US Treasury bonds pushed limit up and additional gains in the cash market. This followed disappointing unemployment figures and comments by Mr Paul Volcker, chairman of the Federal Reserve board that US rates may fall before those in Jopan and West Germany.

The September bond opened strong in London at 94-20 up from 92-23 but crucislly attracted little follow through demand and after a high of 94-21, values gradually drifted down during tho day to finish at 94-02. Later trading in Chicago saw prices slip back after a firmer start.

Gilt prices followed much the same pattern, easing mainly on profit taking with sterling's weakness also contributing to the softer trend.

Three-month sterling deposit futures opened slightly firmer but showed little overall movemeot with values already discounting a cut in UK clearing bank bese rates, expected some time this week. Somo lato short covering allowed prices to finish just ebove tho day's lows and little changed from Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
110	0.63	—	—	—	0.13	—	—	—
116	7.13	8.01	—	—	0.27	1.23	—	—
120	5.37	6.38	—	—	0.51	1.60	—	—
122	4.05	5.21	—	—	1.23	2.43	—	—
124	2.60	4.15	—	—	2.10	3.37	—	—
126	1.83	3.10	—	—	3.13	4.40	—	—
128	1.17	2.32	—	—	4.31	5.54	—	—
130	0.49	1.56	—	—	5.63	7.14	—	—

Estimated volume total, Calls 390, Puts 135

Previous day's open int. Calls 5,631, Puts 2,534

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	7.10	7.51	—	—	1.06	2.28	—	—
90	5.46	6.35	—	—	1.42	3.73	—	—
92	4.30	5.29	—	—	2.26	4.07	—	—
94	3.26	4.30	—	—	3.22	5.08	—	—
96	2.34	3.41	—	—	4.30	6.19	—	—
98	1.53	2.59	—	—	5.49	7.37	—	—
100	1.18	2.20	—	—	7.14	8.62	—	—
102	0.55	—	—	—	8.52	—	—	—

Estimated volume total, Calls 148, Puts 234

Previous day's open int. Calls 976, Puts 340

LIFFE E/$ OPTIONS

£25,000 (cents per £1)

[illegible]	[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]	[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]	[illegible]

20% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]	[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]	[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]	[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]	[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]	[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]	[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]	[illegible]

CURRENCY FUTURES

IMM—STERLING $e per £

[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]	[illegible]

STERLING INDEX

	June 9	Previous
8.30 am	75.7	75.8
9.00 am	75.7	75.8
10.00 am	75.5	75.8
11.00 am	75.3	75.7
Noon	75.3	75.7
1.00 pm	75.2	75.7
2.00 pm	75.2	75.6
3.00 pm	75.3	75.6
4.00 pm	75.4	75.6

MONEY MARKETS

UK short-term rates firm

UK clearing bank base lending rate 10 per cent since May 22

There was still considerable diversification of opinion on the timing of another cut in clearing bank base rates in the London money market yesterday. Discount houses were perhaps the most bullish, continuiog to hang on to oligible paper in the hope of an increased return should rates fall. This in torn made the process of meeting the day's shortage thet much more difficult and although the Bank of England gave no clear message, it did lend a lsrge amount to the houses overnight.

Others with less enthusiasm suggested that today's UK money supply figures would not be taken as the catalyst, preferring to wait for Friday's retail price indox. Three-month interbank money which has been discounting a half point fall to 9½ per cent for a week, was left unchangod after yesterday's proceedings at 9⅞-9¹³⁄₁₆ per cent slthough it had boen bid at 9½ per cent during the day. Overnight money opened at 10½-11 per cent and touched 13 per ceot before finishing bid at 12 per cent.

The Bank of England forecast a shortage of around £850m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,150m and banks' balances brought forward £150m below target. These were partly offset by Exchequer transactions which added £130m and a fall in the note circulation of £330m. The Bank declined to give any assistance in the morning and in the afternoon it gave help of £274½m through outright purchases of £22m of local authority bills and £52m of eligible bank bills all at 9⅞ per cent and in band 2 £2m of local authority bills and £198m of eligible bank bills at 9¹³⁄₁₆ per cent. It also provided late help of £445m, making a total of £719m.

In Frankfurt the Bundesbank announced a 28 day sale and repurchase agreement at a fixed rate of 4.35 per cent. Successful applicants will receive funds tomorrow, coinciding with a maturing facility of DM 10.3bn. The new agreement is expected to more than compensate for the expiring one with pressure slowly building up on short term liquidity levels as commercial banks are due to make heavy tax payments.

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	7¾
Fed funds	6¹³⁄₁₆
Fed funds at intervention	6¹¹⁄₁₆
Treasury Bills & Bonds	
One month	6.28
Two month	6.32
Three month	6.51
Six month	6.67
One year	6.84
Two year	7.28
Three year	7.52
Four year	7.71
Five year	7.83
Seven year	7.89
10 year	7.98
30 year	7.67

MONEY RATES

June 9	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.40-4.50	4.45-4.65	4.50-4.65	4.50-4.60	4.55-4.70	5.5
Paris	7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7½	7¼
Zurich	7⅞-11⅛	4¾-4⅞	—	4¾-4⅞	—	—
Amsterdam	0⅛-0¾	6⅛-6⅛	—	6⅛-6	—	—
Tokyo	4.34125	4.59370	—	4.66625	—	—
Milan	12-12⅛	12⅛-12⅛	—	11⅞-12⅛	—	—
Brussels	4.60	7⅛-7⅛	—	7⅛-7⅛	—	—
Dublin	8¼-0	0⅛-0⅛	0⅛-9⅛	0⅛-0⅛	9⅛-9⅛	—

FT LONDON INTERBANK FIXING

(11.00 a.m. June 9)

Three months US dollars		Six months US dollars	
bid 6 ⅞	Offer 7 ⅛	bid 6 ⅞	Offer 7 ⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 9	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10⅝-10	10⅝-10⅝	9⅞-10	9⅞-[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	9¹³⁄₁₆-9⅞	[illegible]	[illegible]	[illegible]
Local Authority Deps	11-11⅛	10⅝-10⅝	9⅞-10	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	10⅝	10	[illegible]	[illegible]
Discount Mkt. Deps	12-12	10¼-10⅛	0⅝	[illegible]	[illegible]	[illegible]
Company Deps	11⅛	10⅝-10¾	10-10⅛	[illegible]	[illegible]	[illegible]
Finance House Deps	—	—	10	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	9⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	9⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	10⅞	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	6.85-6.90	6.9-[illegible]	[illegible]	[illegible]
SDR Linked Deps	—	—	6⅛-6⅛	0⅛-[illegible]	[illegible]	[illegible]
ECU Deps	—	—	7¼-7⅛	7¼-[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9²³⁄₃₂ per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9²³⁄₃₂ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.1142 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1, 1986. Bank Deposit Rate for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¼ per cent; three-six months 9¼ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9½ per cent from June 6. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

Company Notices

£ WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on June 9, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅞	98⅛	Treas 8½pc 1984-86‡‡	99⅞xd		8.51	9.92
102⅛	100⅛	Exch 14pc 1986	101	−⅛	11.77	9.29
98⅝	94⅞	Exch 2½pc 1986	98⅝	+⅛	2.54	5.61
102	100⅛	Exch 13½pc 1987	102		12.94	9.20
100⅝	91	Treas 10¼pcCv '87	100		10.18	9.10
97⅝	92	Exch 2½pc 1987	97⅝		2.56	6.32
101⅝	97½	Exch. 10½pc 1987	101		10.39	9.06
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅝		6.61	8.43
101⅛	96	Treas. 10pc 1987	102xd		9.90	8.94
97	90⅞	Treas 3pc 1987	97xd	+	3.13	6.19
104	99⅛	Treas. 12pc 1987	104		11.54	8.83
99⅛	92	Treas 7¾pc 1985-88‡‡	99⅛	+	7.81	8.31
104	96⅛	Exch 10½pc '88	103⅛	+⅛	10.18	8.67
102⅛	95⅛	Treas 9½pc Cv '88	101xd	+	9.57	8.75
94⅛	86⅝	Transport 3pc '78-88	94xd		3.18	6.05
102½	93	Treas. 9½pc '88	101	+	9.38	8.85
107	98	Treas 11½pc 1989	106	+	10.81	8.80
103½	93½	Treas 9½pc Cnv. '89	102	+⅛	9.32	8.68
92⅛	82	Treas 3pc 1989	91⅛	−	3.29	6.07
105	95	Treas 10½pc 1989	104xd	+	10.05	8.80
104	94⅛	Exch 10pc 1989	103⅛	+	9.69	8.84
107	97	Exch 11pc 1989	106⅛	+	10.36	8.79
93	84½	Treas 5pc 1986-89	93⅛		5.36	7.30
110	94⅝	Exch 10¼pcCv '89	107⅝	+⅛	9.53	7.66
114	103	Treas 13pc 1990‡‡	113xd	+⅛	11.50	8.11
108⅛	97⅛	Exch 11pc 1990‡‡	106⅞	+⅛	10.29	8.75
113⅛	101	Exch 12½pc 1990	111⅝	+⅛	11.17	8.72
89⅝	79⅝	Treas. 3pc 1990	89⅛		3.33	5.94
100	89⅛	Treas 8¼pc 1987-90‡‡	99⅝xd	+	8.28	8.37
106	93	Treas 10pcCv 1990	104	+⅛	9.54	8.62
86	76½	Exch 2½pc 1990	86	+	2.89	6.87
112	99	Treas 11¾pc 1991	113xd	+	10.55	8.71
94⅛	83	Funding 5¾pc '87-91‡‡	94⅛	+	6.10	7.20
86⅛	86	Treas 3pc 1991●	86⅛		3.48	6.32
110⅝	96	Exch 11pc 1991	109⅝	+⅛	10.01	8.65
		Five to Fifteen Years				
118⅛	103⅝	Treas 12¾pc 1992‡‡	117⅛	+⅛	10.89	8.81
107⅝	92	Treas 10pc 1992	105⅝	+⅛	9.47	8.72

Over Fifteen Years

Undated

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HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

حكمة امين كلاصل

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
155	82	♦Midland Marts	155		4.0	2.1	3.6	18.5
78½	61	Mitchell Cotts	75	–1	4.25	1.5	8.6	(9.9)
109	81	♦Monks & Crane 10p	106		1.27	♦	8.6	♦
317	210	Morgan Crucible	335		8.5	♦	3.8	♦
23½	15½	♦Morris (W)"A" 20p	17½	–½	—	—	—	—
139	96	Moss (Robt.) 10p	129	+1	3.3	2.7	3.6	15.9
112	65	Myson Grp 10p	132	+2	2.63	2.6	3.3	14.5
365	259	NMW Computers	300		6.0	3.0	1.0	17.3
40	27	Nash Inds.	36		0.5	—	2.0	—
27½	15½	Neil & Spencer 10p	19	–2½	—	—	—	—
38	28	Newman Inds 10p	38		0.8	1.2	3.0	36.9
65	47	Nelson	53	–3	0.95	7.0	2.6	7.3
132	96	♦Norank Systems 5p	126	+8	3.0	♦	3.4	♦
272	187	Norcros	272		9.3	♦	4.9	♦
114	49	Nu-Swift 5p	114	+2	3.5	2.1	4.3	15.3
£303	£228	OCE 9pc Cnv 1987-92	£303		9%	—	5.5	—
110	80	Oakwood Grp.	105		5.0	1.3	6.7	14.6
250	203	Office & Elect	238	+3	8.5	2.9	5.0	9.7
102	70	Oldacre 20p	85		4.0	2.6	6.6	7.5
36	24	♦Oolometrics $0.01	26		0.2	2.1	6.0	8.7
765	500	Ordiland £1	760		24.5	2.1	4.5	14.8
10	7	Ovenstone 12½c	7		0.23	1.9	13.7	3.8
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
135	85	♦PCT Grp 10p	135		3.2	1.2	4.9	23.2
£204½	950	PLM 'B' Sk 25	£204		2%	0.3	4.5	—
184	114	PSM Intl	182		5.5	2.1	4.3	13.9
255	167	♦Pacer Systems $0.01	280		3.4	3.4	1.3	22.3
78	56	♦Pacific Sales 10p	64		3.0	1.2	6.6	17.5
342	225	Park Place 10p	335		6.25	2.9	2.6	28.0
425	246	Parker Knoll 'A'	408	–7	19.5	2.9	3.3	14.8
525	208	♦Parkfield Group 5p	450	–5	2.4	2.4	0.8	75.2
53	30	♦Pavion Intl	40	+2	—	—	—	♦
£130	£92	Do 11pc Cnv 94-02	£108		11%	—	6.9	—
503	393	Pearson	495	+17	10.0	2.8	2.8	16.5
76	12	Peek Holdings 7p	25		—	—	—	—
130	88	Peerless	125		6.3	—	7.1	—
765	283	Pentland 10p	795	–5	1.5	22.4	0.3	21.4
114	275	Photo-Me	310		5.08	8.3	0.7	20.4
475	315	Pilkington Br £1	451	–1	12.5	2.5	3.9	11.2

[illegible]

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[illegible]

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[illegible]

REGIONAL & IRISH STOCKS

[illegible]

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
July 7	July 18	Oct 9	Oct 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

Gilts hold centre-stage on hopes of lower interest rates

Interest rate hopes stimulated fresh widespread demand for Government bonds in London yesterday. Domestic and foreign investors once again focused their attentions on longer maturities and the combined buying brought further good gains after Friday's spirited recovery. A few ultra-long Gilts rose a point more before profit-taking turned prices away from the highest and pared rises to a maximum of ⅝.

Friday's continuation of a more stable trend in the US bond market, which responded to late speculation of another Japanese-led round of discount rate cuts, set the early scene. The Bank of England's actions in UK money markets hinted subsequently that the authorities could be ready to endorse further small reductions in bank base rates, perhaps later this week.

The strong tone showed little sign of faltering until sterling eased back from its recent high level against the dollar. Some investors then decided it prudent to realise profits ahead of the May banking statistics, due to be announced at 2.30 pm today. Forecasts of the likely rise in sterling M3 range to 1 per cent.

A report that the Government broker had refused a bid for supplies of the long tap was not taken seriously but the stock, Treasury 8 per cent 2009, slipped back from a high of 46⅛ to end a net dearer on the session at 45¾. Closing improvements elsewhere ranged to ⅝ as in the ultra-long Exchequer 12 per cent 2013/17, at 130⅜, after 131⅛. The shorts were rarely more than ⅛ firmer while index-linked Gilts were marginally higher, where changed.

Leading equities started the final leg of the trading Account confidently. Many seemed poised to extend last week's gains but business was slow to develop and most blue chips drifted away from their enhanced opening levels. Secondary issues also traded quietly and activity tended to revolve round the stocks mentioned in the weekend Press columns.

Throughout the day, the FT Indices receded slowly and, following news of an early setback on Wall Street yesterday, the FT-SE 100 share index closed 7.3 down at 1604.6, after having posted a rise of 2.1 at 9.05 am.

NatWest sold

The banking sector was featured by weakness in NatWest. Quoted ex-the record £714m rights issue, the new nil-paid shares met with institutional selling and fell away from an opening level of 265p to close at 250p premium, while the old shares dropped 20 to 452p. Other clearers reacted in sympathy and were also unsettled by revived concern about the Mexican debt situation. Lloyds relinquished 6 at 537p and Barclays gave up 3 at 480p. Midland touched 518p before closing a penny easier on balance at 522p. Elsewhere, Standard Chartered moved up 3 more to 813p following comment on the Lloyds bid situation, while Commercial Bank of Wales reflected takeover hopes with an improvement of a penny at 78p.

Lloyds Brokers were inclined harder in places. PWS International stood out with a rise of 20 to 285p following the preliminary results. Dewey Warren added 6 at 112p and Sturge appreciated 10 at 425p. Life issues were marked up following publicity given to stockbrokers Quilter Goodison's bullish circular on the sector, however, a lack of follow-through support prevented any further improvement and Equity and Law, at 255p, and London and Manchester, at 186p, closed only 2 and 3 better respectively.

As expected Blick, the Swindon-based suppliers of time recorders and radio pagers, opened at a sizeable discount to the offer price of 147p; dealings got under way at 130p and, in quiet trading, the price eventually settled at 133p, a first-day discount of 14. Among other recently-issued equities, Lee International attracted further buying interest and rose 10 to 150p.

A week-end Press suggestion that the company is planning a huge expansion of its food business left Allied Lyons 4 lower at 336p. Argyll Group's denial of any bid intentions left Scottish and Newcastle 6 down at 206p, while Bass came on offer at 777p, down 8. J. A. Devenish, on the other hand, rose 15 to 860p in anticipation of today's interim results.

Firm last week on interest rate optimism, leading Buildings gave modest ground in the absence of further buying interest. Barratt Developments eased a couple of pence to 150p, as did Costain, to 556p. Taylor Woodrow were finally 3 cheaper at 665p and Redland a penny off at 443p. Secondary issues displayed several noteworthy movements. Benford Concrete Machinery, in receipt of a bid from BM Group, touched 81p prior to closing a net 8 up at 88p on news that the company had received another approach which may lead to a recommended offer; dealers are expecting an announcement today. Profit-taking in the absence of any news relating to the merger talks left Raine Industries 4½ down at 58p, but revived speculative buying helped Federated Housing rise that much to 150p, while Press comment prompted a similar gain in Ibstock Johnsen at 188p. Jayplant, an erratic market on Friday following details of the agreed offer for Lorne Exploration, added a penny to 53p, while occasional buying interest left Tysons 2 dearer at 34p.

Currency influences held ICI in check and the price was finally 5 cheaper at 925p. Elsewhere in the Chemical sector, British Benzol traded up to 102p awaiting the annual results, but reacted on the announcement of profits below market estimates and the absence of a dividend to close a net 8 down at 89p. Sutcliffe Speakman hardened 2 to 69p, while USM-quoted Dialene firmed 5 to 200p.

Martin Ford up on bid

The long-awaited bid for Martin Ford finally materialised yesterday in the shape of an agreed 70p per share cash offer from Iridium Investments, a private company controlled by Messrs. Aitken, Sellar, Wallis and Aronson; MF touched 82p initially on news of the terms, but retreated on profit-taking to 74p before rallying to end the session a net 3 dearer on balance at 80p. Among other secondary Stores, N. Brown Investments jumped 20 to 620p ahead of tomorrow's preliminary figures, while speculative gains of around 6 were seen in Gabbici, 148p, and Stead and Simpson "A," 96p. Ladies Pride hardened a couple of pence at 37p, but cautious Press comment prompted a reaction of 4 to 141p in Ratners. Among the leaders, Woolworth touched 845p in the early stages in reply to Press suggestions that Dixons will increase its offer to 880p per share this week, but later succumbed to profit-taking and finished 15 easier on balance at 825p; Dixons closed unaltered at 352p. Marks and Spencer turned dull late, closing 4 off at 197p following details of the group's first-ever US$150m Eurobond issue.

Leading Electricals drifted lower for want of support, British Telecom closing 4 lower at 226p and GEC a couple of pence off at 208p. Elsewhere, speculative activity left Microgen 20 higher at 405p, but Amstrad closed 7 down at 585p. Oxford Instruments hardened a few pence more to 562p ahead of next Tuesday's preliminary statement.

Engineers passed a rather uninspiring trading session. Among the occasional noteworthy movements, Whessoe continued to respond to bid speculation and put on 12 further to 120p. Weekend Press mention left MS International 6 dearer at 113p, Baker Perkins 4 higher at 284p, and Frederick Cooper 5 better at 135p. Camford edged up 5 to 91p awaiting tomorrow's interim statement, while B. Elliott, scheduled to reveal preliminary figures on Thursday, hardened 3 to 91p. G. M. Firth were a relatively lively market and closed 4 higher at 72p, after touching 75p. Leading issues rarely strayed from previous closing levels.

Occasional demand was forthcoming for leading Foods. Cadbury Schweppes, the subject of American buying last week, edged up 2 more to 176p, while United Biscuits firmed 6 to 251p on revived speculative interest. Dee Corporation continued to rally and closed 5 better at 235p; the shares were dull last week following the vendor placing launched in connection with the acquisition of Fine Fare from Associated British Foods. Among secondary issues, Chambers and Fargoa gained 11 to 44p in reply to a newsletter recommendation, while Bernard Matthews rose 15 to 240p following Press mention. Old takeover favourite Hillards edged up 4 to 227p.

Metal Box improve

Metal Box, scheduled to reveal preliminary figures today, met with occasional buying interest and closed 34 higher at 754p. Glaxo also attracted buyers ahead of a Far Eastern presentation, closing ½ higher at £10⅛. In contrast, Beecham turned easier awaiting tomorrow's annual results and reacted 12 to 401p. Other leading miscellaneous industrials were inclined easier mainly on lack of interest. Elsewhere, Pearson gained 17 to 495p despite the chairman's denial of a bid approach. Weekend Press mention enlivened interest in Sharna Ware 9 to the good at 62p, Cowan De Groot, 5 better at 71p, and Silentnight, 3 harder at 49p. Clement Clark responded to news of the agreed bid from Boots with a rise of 10 to 250p; Boots eased a couple of pence to 247p. Speculative activity left Plastic Constructions 6 firmer at 94p, while acquisition news prompted a gain of a couple of pence in Coloroll at 198p. Metal Closures encountered selling and dipped to 140p before settling 11 down on balance at 145p, while Wedgwood fell 7 to 333p on fears that London International Group's bid may be referred to the Monopolies and Mergers Commission. Epicure closed 2½ higher at 23p following news that the chairman had increased his stake to just over 10 per cent.

Tottenham Hotspur continued to respond to news of the disposal of its Cheshunt training ground for £4.9m and closed 2 up at 70p, while Brent Walker touched 171p prior to settling a couple of pence better at 188p on Brighton Marina development prospects. Sangers Photographic shed 4 to 114p as the company confirmed that it is in talks regarding the possible acquisition of Stanmore Video Sales.

Caffyns provided an outstanding firm feature in Motors, rising 23 to 255p on buying ahead of Thursday's preliminary results. Dowty, on the other hand, fell 10 to 218p on fading bid hopes, while AE dipped 4 to 173p in the absence of the widely-rumoured offer from GKN.

Ferry Pickering highlighted Paper/Printing with a speculative gain of 26 at 210p. James Cropper put on 15 at 295p and Ware firmed 3 at 52p.

Properties made progress on cheaper money hopes. Land Securities hardened 2 to 320p and MEPC firmed 4 to 352p. Property and Reversionary rose 8 to 206p in reply to the good annual results, but Property Holding and Investment settled a couple of pence off at 133p, after 134p, despite revealing preliminary profits in line with market estimates. Fresh demand in the wake of the annual report boosted Sheraton Securities 2 more to 47p, while Press comment stimulated Dares Estates which touched 21p prior to closing a penny up at 19p. Mountview Estates found support and rose 30 to a year's high of 675p, while Regalian advanced 15 to 560p ahead of tomorrow's results. Comment on the agreed merger with Samuel Properties helped Clayform add 3 to 276p, while revived demand in a restricted market lifted House Property Company of London 20 to 365p. The decision by Bestwood to invoke a buying-in notice to cover outstanding CGA stock delivery positions left Country Gentlemen's Association 2 points lower at £22; Bestwood and Fredericks Place Holdings are currently engaged in a battle for control of the company.

A quiet Shipping sector was featured by Walter Runciman which rose 8 to 168p in response to the announcement that John Govett Investment Management Group had increased its stake in the company to nearly 22 per cent.

Textiles were inclined harder in places. Stoddard "A" rose 4 to 26p in response to Press comment, while John Crowther added the same amount at 151p following acquisition details. Bulmer and Lumb added 6 at 88p and Hicking Pentecost gained 4 at 52p.

Interest in the Oils sector was again mainly confined to the secondary issues where Firstland Oil and Gas jumped 10 to 55p following favourable Press mention. Fishermen's Petroleum where Firstland recently increased its holding to around 23 per cent, moved up 5 to 95p. Great Western Resources eased a few pence to 68p while South-west Resources were a fraction lower at 19 following the annual results. Australian oils included a firm feature in Meridian, 3 up at 18½p reflecting speculative support.

In Overseas Traders, Tozer Kemsley extended its recent recovery and put on a further 9 to 175p — a two-day rise of 16.

Golds under pressure

Sentiment in South African sectors of mining markets received a nasty dent from reports in the weekend Press that the South African Government is about to re-impose a State of Emergency in the Republic, or introduce Martial Law, to try and prevent a substantial escalation of civil unrest in the build up to next Monday's 10th anniversary of the Soweto riots. Markets were additionally upset by calls for harder economic sanctions against South Africa and vague rumours that the South Africans may unveil new measures to stem outflows of capital from the country.

Gold shares opened sharply lower and continued to lose ground throughout the session in the face of substantial selling orders from most international dealing centres. London operators were said to have been particularly heavy sellers amid whispers that possible new foreign exchange controls could include dividends being paid in Financial, instead of, Commercial Rands. At the close the leading heavyweights were left with falls extending to £1⅛, as in Randfontein, £41⅛, while Vaal Reefs dipped £1⅛ to £34⅞ and Southvaal £⅞ to £16⅛. Among the cheaper priced issues Consolidated Modderfontein dropped 20 to 180p, Modder "B" 5 to 25p and Grootvlei 9 to 217p; Blyvoor gave up 10 to 298p ahead of the dividend announcement.

The Gold Mines Index fell 4.6 to 208.7, its lowest level since early-July 1982. Bullion moved narrowly to close a net 25 cents up at $342 an ounce.

Hampton Areas settled a net 2 easier at 150p, after touching a 1986 high of 155p, following the increased 150p a share bid from Metals Exploration. The latter also announced it had purchased a further 4.95 per cent of Hampton Areas at 150p, increasing its holding to around 17 per cent and had received an undertaking from MIM Ltd. in respect of a further 8.4 per cent of Hampton Areas shares. Earlier in the day Hampton Areas unveiled annual results and a revaluation of assets which gave a figure of 205p per share.

The closure of many "down-under" exchanges for the Queen's Birthday prompted a quiet session in Australian names. A handful of the golds made progress, led by Gold Mines of Kalgoorlie which moved up 9 to 394p, Sons of Gwalia edged up 2 to 181p while vague bid rumours helped Great Victoria Gold harden a shade to a year's best of 33p.

The paucity of business in the underlying securities was well reflected in Traded Options where the 7,297 total number of contracts completed was the lowest this year. The number of calls amounted to 4,960 and puts 2,337 and the only stock to attract any real interest was Beecham ahead of tomorrow's results. Here, 885 calls and 359 puts were arranged.

FINANCIAL TIMES STOCK INDICES

	June 9	June 6	June 5	June 4	June 3	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	92.21	91.92	91.52	91.81	91.73	81.51	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.08	97.02	96.84	96.91	96.90	86.05	97.51 (22/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1329.5	1336.9	1332.6	1320.6	1320.4	991.3	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	208.7	213.3	217.6	224.4	215.9	421.9	357.0 (27/1)	208.7 (9/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.13	4.15	4.17	4.20	4.20	4.65				
Earnings Yld.%(full)	9.99	10.26	10.31	10.38	10.38	11.67				
P/E Ratio (net) (*)	12.17	11.93	11.87	11.79	11.79	10.45				
Total Bargains (Est)	24,566	24,448	24,074	24,571	23,660	21,863				
Equity Turnover £m.	—	482.72	497.96	477.29	494.98	302.40				
Equity Bargains	—	21,398	21,573	20,949	22,252	18,504				
Shares Traded (ml).	—	239.0	243.8	242.0	241.2	155.1				

S.E. ACTIVITY

Indices	June 6	June 5
Gilt Edged Bargains	124.1	116.8
Equity Bargains	138.4	139.8
Equity Value	975.7	1006.5
5-Day Average		
Gilt Edged Bargains	128.9	130.4
Equity Bargains	142.4	151.1
Equity Value	1090.9	1181.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1337.5	1334.6	1334.1	1332.3	1331.4	1331.6	1331.3	1330.6

Day's High 1337.5. Day's Low 1329.5.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.73 †Corrected.

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon June 9 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri June 6 Index No.	Thurs June 5 Index No.	Wed June 4 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (214)	733.99	-0.1	8.18	3.34	15.56	7.81	734.86	731.24	724.87	537.67
2 Building Materials (26)	806.57	—	8.45	3.49	14.99	8.06	806.22	804.71	794.97	526.01
3 Contracting, Construction (29)	1119.18	-0.1	7.95	3.93	17.21	18.56	1119.96	1108.51	1101.54	778.08
4 Electricals (12)	1970.23	+0.4	7.45	3.84	17.82	30.53	1962.44	1961.11	1944.57	1494.66
5 Electronics (38)	1706.79	-0.3	8.70	2.70	15.25	9.80	1712.48	1698.76	1677.08	1457.83
6 Mechanical Engineering (64)	413.60	—	9.17	3.94	13.66	4.33	413.68	411.94	411.57	313.48
8 Metals and Metal Forming (7)	358.24	—	7.17	4.96	18.11	4.35	358.35	352.97	349.65	200.95
9 Motors (16)	302.03	-0.3	8.70	3.19	13.38	3.60	303.45	299.83	294.80	166.97
10 Other Industrial Materials (22)	1311.09	-0.2	6.31	3.93	19.84	33.20	1313.42	1315.13	1311.89	995.78
21 CONSUMER GROUP (183)	909.00	—	7.86	3.18	15.95	10.04	909.20	910.65	903.64	664.74
22 Brewers and Distillers (22)	923.68	-0.5	9.33	3.47	13.00	9.91	928.38	925.46	914.57	595.87
25 Food Manufacturing (22)	619.06	-0.3	9.32	3.67	12.76	7.42	620.86	617.60	611.04	506.05
26 Food Retailing (15)	1770.47	+0.3	6.99	2.75	19.72	13.07	1765.84	1781.49	1783.53	1582.47
27 Health and Household Products (10)	1564.36	+0.7	5.58	2.15	21.90	6.52	1553.22	1552.98	1524.46	1102.63
29 Leisure (25)	791.96	-0.2	7.85	3.94	16.58	14.01	793.98	793.25	879.46	682.42
31 Publishing & Printing (14)	2512.59	+0.4	7.19	3.94	16.15	28.02	2502.89	2499.63	2458.54	1801.36
32 Packaging and Paper (14)	472.94	+1.0	6.81	3.28	18.29	4.64	468.28	465.28	457.33	332.75
34 Stores (42)	878.96	-0.7	5.77	2.76	20.19	9.17	877.41	887.81	879.54	641.81
35 Textiles (17)	536.82	—	9.42	3.53	12.20	7.95	536.77	535.55	535.86	327.51
36 Tobaccos (2)	1077.94	—	13.23	4.52	8.47	20.60	1077.52	1081.57	1090.32	860.55
39 OTHER GROUPS (86)	731.29	-0.6	8.55	3.77	15.04	7.62	735.93	732.50	718.70	496.43
41 Chemicals (19)	877.92	-0.3	10.44	4.63	11.61	17.24	880.83	877.57	867.88	759.93
44 Office Equipment (4)	264.82	+0.3	9.30	3.84	16.40	4.59	263.92	264.71	265.39	181.06
45 Shipping and Transport (12)	1555.40	-0.2	8.35	4.05	15.13	24.95	1558.28	1554.25	1524.74	1124.21
46 Telephone Networks (2)	885.86	-1.4	9.30	3.65	14.74	8.93	898.44	903.39	894.45	864.25
48 Miscellaneous (49)	1036.42	+0.1	6.48	3.24	19.35	7.73	1035.51	1037.37	1038.94	871.79
49 INDUSTRIAL GROUP (483)	843.92	-0.2	8.11	3.35	15.42	8.71	845.48	845.34	839.43	648.47
51 Oil & Gas (17)	1214.13	—	16.82	7.43	7.10	40.56	1213.82	1219.05	1216.32	1125.51
59 500 SHARE INDEX (500)	876.80	-0.2	9.04	3.80	13.85	11.21	878.18	878.50	872.82	688.72
61 FINANCIAL GROUP (117)	583.36	-0.3	—	4.51	—	10.46	585.24	582.13	579.82	473.32
62 Banks (7)	603.00	-1.5	18.30	5.63	7.38	14.96	612.32	606.30	605.96	465.70
65 Insurance (Life) (9)	818.21	+0.7	—	4.61	—	17.27	804.69	800.56	795.42	766.51
66 Insurance (Composite) (7)	473.80	-0.3	—	4.37	—	9.46	475.15	471.61	467.33	358.33
67 Insurance (Brokers) (8)	1167.81	+0.1	9.10	4.10	14.32	23.40	1166.67	1165.35	1154.89	1141.71
68 Merchant Banks (11)	354.82	+0.1	—	3.16	—	1.94	353.72	350.88	345.72	229.55
69 Property (52)	773.20	+0.3	5.58	3.41	24.18	8.81	770.91	768.60	764.33	621.92
70 Other Financial (23)	347.68	—	7.78	4.43	15.77	10.88	347.57	347.07	345.82	281.33
71 Investment Trusts (102)	751.83	+0.1	—	2.97	—	6.46	751.19	750.12	748.58	594.81
81 Mining Finance (3)	279.56	-0.3	12.82	5.71	9.18	6.11	280.51	281.86	282.05	276.74
91 Overseas Traders (14)	669.00	+0.3	9.98	6.15	12.09	18.89	670.78	674.27	671.23	454.22
99 ALL-SHARE INDEX (736)	792.95	-0.2	—	3.91	—	10.78	794.90	795.90	789.51	629.24

	Index No.	Day's Change	Day's High	Day's Low	June 6	June 5	June 4	June 3	June 2	Year ago
FT-SE 100 SHARE INDEX ♦	1604.6	-7.3	1614.8	1604.6	1611.9	1612.4	1601.4	1602.2	1596.5	1299.6

FIXED INTEREST

PRICE INDICES	Mon June 9	Day's change %	Fri June 6	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	124.30	+0.09	124.43	0.24	5.36
2 5-15 years	146.24	+0.03	146.31	0.52	5.11
3 Over 15 years	153.65	+0.37	153.14	0.06	5.72
4 Irredeemables	171.61	+0.34	171.02	—	6.30
5 All stocks	141.31	+0.25	141.31	0.36	5.56
Index-Linked					
6 5 years	113.30	+0.11	113.17	—	0.81
7 Over 5 years	120.00	+0.07	119.92	—	1.21
8 All stocks	118.79	+0.07	118.78	—	1.14
9 Debentures & Loans	121.43	+0.45	120.89	—	5.47
10 Preference	88.78	-0.09	88.86	—	3.18

AVERAGE GROSS REDEMPTION YIELDS		Mon June 9	Fri June 6	Year ago (approx.)
British Government				
1 Low Coupons	5 years	7.53	7.54	10.36
2	15 years	8.75	8.79	10.67
3	25 years	8.72	8.76	10.31
4 Medium Coupons	5 years	8.04	8.08	11.36
5	15 years	8.84	8.88	11.45
6	25 years	8.78	8.88	11.03
7 High Coupons	5 years	8.68	8.71	11.35
8	15 years	9.22	9.27	11.40
9	25 years	8.91	8.97	10.93
10 Irredeemables		8.72	8.75	10.10
Index-Linked				
11 Inflat'n rate 5%	5 yrs	3.76	3.88	0.0
12 Inflat'n rate 5%	Over 5 yrs	3.31	3.31	0.0
13 Inflat'n rate 10%	5 yrs	2.63	2.67	0.0
14 Inflat'n rate 10%	Over 5 yrs	3.16	3.16	0.0
15 Debs & Loans	5 years	10.11	10.08	11.84
16	15 years	10.89	10.14	11.68
17	25 years	10.86	10.15	11.51
18 Preference		10.30	10.30	12.44

♦Opening index 1614.0; 10 am 1609.4; 11 am 1609.3; Noon 1608.2; 1 pm 1607.8; 2 pm 1607.5; 3 pm 1607.5; 3.30 pm 1606.5; 4 pm 1606.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

TRADITIONAL OPTIONS

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
July 7	July 18	Oct 9	Oct 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

Money was given for the call of Buckley's Brewery, Berkeley Group, Charterhall, Associated Newspapers, Aircall, British Telecom, Blacks Leisure, Burton, William Boulton, Telephone Rentals, ERF, Raine Industries, Fergabrook, Berkeley and Hay Hill, Bromsgrove Casting, Guinness Peat, WSL, Johnson and Firth Brown, Brengreen, Federated Housing and Stylo. No puts or double options were reported.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$340	2	10	—	—	—	—	$342
GOLD C	$350	—	—	5	13	—	—	
GOLD C	$360	14	2.50	99	8	—	—	
GOLD C	$370	—	—	2	5.20	—	—	
GOLD P	$300	3	0.50	—	—	—	—	
[illegible]								

TOTAL VOLUME IN CONTRACTS: 31,697

A=Ask B=Bid C=Call P=Put

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Brit. Benzol	89	−8
Crowther (J.)	151	+4
De Beers Gold	410	−10
Dowty	218	−10
Ford (Martin)	80	+3
Hestair	180	−11
Nat West Bk. (Nil Pd)	250pm	−15
Pearson	495	+17
Raine Inds	58	−4½
Stainless Metalcraft	138	+5
Warrior Resources	33	+4
Wheway	120	+4

Based on bargains recorded in Stock Exchange Official List.

FRIDAY'S ACTIVE STOCKS

Stock	No. of changes	Fri. close	Day's change
Glaxo	20	£10⅛	+⅛
Raine Inds.	16	62½	+6
Woolworth	15	841	+6
Jaguar	14	517	+1
Pilkington Br.	14	452	+2
Cable & Wire.	13	660	+5
ICI	11	930	+8
Beecham	11	413	+10
Bristol	11	138	−2
Dee Corp.	11	230	−2
Microgen	11	385	−25

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	1	9
Corpns. Dom. and Foreign Bonds	2	7	38
Industrials	319	242	935
Financial & Props.	121	69	388
Oils	22	20	77
Plantations	0	1	14
Mines	33	42	90
Others	106	31	38
Totals	720	414	1,568

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (96)

BRITISH FUNDS (3), AMERICANS (8), CANADIANS (3), BANKS (2), BREWERS (2), BUILDINGS (3), CHEMICALS (3), STORES (3), ELECTRICALS (3), ENGINEERING (9), FOODS (4), INDUSTRIALS (11), LEISURE (3), MOTORS (3), PAPER (7), PROPERTY (9), TEXTILES (5), TRUSTS (14), OILS (1), MINES (2).

NEW LOWS (30)

STORES (1) Underwoods, ELECTRICALS (3) PPL, Sigmex Intl., Telemetrix, FOODS (2) Argyll Group, Nichols (Vimto), INDUSTRIALS (...) Transport Tech, TSL Thermal Syndicate, LEISURE (1) Media Tech Intl., NEWSPAPERS (1) Portsmouth & Sunderland, TRUSTS (2) Throgmorton USM Trust, Brunner Invs, OILS (1) Caledonian Offshore, MINES (17) Randfontein Ests, Cons Modderfontein, [illegible] Winkelhaak, Blyvoor, Doornfontein, Elandsrand Gold, Harmony, South Vaal, Stilfontein, Vaal Reefs, FS Cons Gold, Loraine Gold, St Helena, OFS Invs.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*336)	330	23	37	48	17	22	30
	360	10	20	28	33	40	43
B.P. (*560)	500	88	103	113	2	7	18
	550	45	62	75	7	20	30
	600	14	30	42	30	43	45
[illegible]							

June 9, Total contracts 7,297. Calls 4,960. Puts 2,337
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

June 9	Price Sch.	+ or —
Credit'nst'lt pp.	2,250	+20
Goesser	3,500	+50
Interunfall	14,025	—25
Jungbunzlauer	18,500	......
Laenderbank	2,245	+25
Perlmooser	640	+10
Steyr Daimler	175	—1
Veitscher Mag	11,400	+300

BELGIUM/LUXEMBOURG

June 9	Price Frs.	+ or —
B.B.L.	3,045	—5
Banq. Gen. Lux	16,600	......
Banq. Int.A.Lux.	15,800	+500
Bekaert	11,900	......
Ciment CBR	3,570	—15
Cockerill	160	+4
Delhaize	13,000	—300
EBES	4,360	—25
Electrobel	16,050	—425
Fabrique Nat.	2,260	—60
GB Inno BM	7,120	—30
GBL (Brux)	3,060	+20
Generale Bank	6,090	—110
Gevaert	6,010	+10
Hoboken	7,200	—40
Intercom	3,440	—20
Kredietbank	16,300	—200
Pan Hldgs	11,650	......
Petrofina	8,010	......
Royale Belge	23,800	+200
Soc. Gen. Belge	2,900	—15
Sofina	9,520	—60
Solvay	7,810	—60
Stanwick Intl	460	......
Tractionel	5,550	—50
UCB	7,440	+120
Wagons Lits	6,200	—70

DENMARK

June 9	Price Knr %	+ or —
Andelsbanken	656	+4
Baltica Skand	640	—10
Cop Handelsb'nk	280	+5
D. Sukkerfab	395	+19
Danske Bank	650	+5
De Danske Luft	1,700	+20
East Asiatic	222	+6
Forenede Brygg.	1,150	......
Forenede Damp.	325	+5
[illegible]	[illegible]	[illegible]

FRANCE

[illegible]

GERMANY

June 9	Price Dm.	+ or —
AEG	319.5	+2.7
Allianz Vers.	2,455	—77
BASF	284.9	+7
Bayer	303.5	+4.7
Bayer-Hypo	565	+12
Bayer-Vereis	547	+15
BHF Bank	495	+7
BMW	572	+7
Brown Boveri	314	+2
Commerzbank	323	+19
Cont'l. Gummi	265	+18.5
Daimler-Benz	1,353	+39
Degussa	449	+9
D'sche Babcock	193	+9
Deutsche Bank	811	+18.6
Dresdner Bank	428	+12.2
Feld-Muehle Nbl	308	+7
GHH	222.5	+8.7
Henkel	598.5	—6.5
Hochtief	910	+30
Hoechst	275.1xr	+5.3
Hoesch Werke	175.7	+0.9
Holzmann (P)	556	+35
Horten	190	+6
Hussel	491	+5
Karstadt	330	+6
Kaufhof	462.5	+1.5
KHD	248	+6
Kloeckner	89.5	—0.5
Linde	718	+18
Lufthansa	205	+5
MAN	190	+5
Mannesmann	218.3	+4.3
Mercedes Hld	1,212	+47
Metallgesell	320	+2
Muench Rueck	3,900	+60
Nixdorf	595.5	+18.5
Porsche	1,010	—9
Preussag	185.5	+4.5
RheinWest Elect	227.5	+0.5
Rosenthal	569	—1
Schering	592	+12
Siemens	625.8	+0.9
Thyssen	163	+4.7
Varta	347.5	+7.5
Veba	291	+5
V.E.W.	171	—5
Verein-West	515	......
Volkswagen	548	+6

ITALY

June 9	Price Lira	+ or —
Banco Com'le.	25,800	—1400
Bastogi-IRBS	684	—65
[illegible]	[illegible]	[illegible]

NETHERLANDS

[illegible]

NORWAY

June 9	Price Kroner	+ or —
Bergens Bank	158.5	—1.5
Borregaard	327.5	......
Christiania Bank	160	......
DenNorske Cred.	150	—5
Elkem	109	+1
Kosmos	156	......
Kvaerner	129	—2.5
Norcem	85	—1
Norsk Data	515xs	+0.5
Norsk Hydro	157	+1.5
Storebrand	245	+5

SPAIN

June 9	Price Pts %	+ or —
Bco Bilbao	890	—9
Bco Central	673	—3
Bco Exterior	480	+15
Bco Hispano	404	+4
Bco Popular	1,000	+16
Bco Santander	642	......
Bco Vizcaya	1,270	—32
Dragados	336	+9
Hidrola	123.2	+0.6
Iberduero	163	—1.5
Petroleos	366	+14.5
Telefonica	192	—2

SWEDEN

June 9	Price Kronor	+ or —
AGA	207	+2
Alfa-Laval B	355	—2
ASEA (Free)	360	+5
Astra (Free)	655	+5
Atlas Copco	519	—4
Cardo (Free)	306	......
Cellulosa	260	+5
Electrolux B	575	—4
Ericsson B	265	+3
Esselte	570	......
Mo och Domsjo	355	+13
Pharmacia	215	—6
Saab ScaniaFree	560	......
Sandvik	290	+15
Skandia	530	......
SKF	350	......
Sonneson	155	......
Stora Kopparbrg	311	—4
Swedish Match	352	+14
Volvo B (Free)	424	—2

SWITZERLAND

[illegible]

AUSTRALIA (continued)

June 5	Price Aust.$	+ or —
Gen. Prop. Trust	2.74	......
Hardie (James)	3.44	......
Hartogen Energy	1.65	+0.05
Herald W'yTimes	6.52	+0.12
ICI Aust.	2.6	—0.02
Jimberlana F.P.	0.2	......
Kia Ora Gold	0.15	......
Kidston Gold	5.94	—0.02
Lend Lease	9.2	+0.04
MIM	2.3	—0.02
Mayne Nickless	3.25	—0.05
Nat. Aust. Bank	5	—0.04
News	22.5	......
Nicholas Kiwi	3.42	......
Noranda P.(P/pd)	0.92	+0.02
North Bkn Hill	2.05	+0.15
Oakbridge	0.8	+0.04
Pacific Dunlop	3.5	—0.1
Pancontinental	1.96	+0.01
Pioneer Conc	2.5	......
Poseidon	2.95	+0.12
Queensland Coal	1.75	+0.05
Reckitt & Colman	4.7	—0.05
Repco	2.35	......
Santos	3.8	—0.04
Smith Howard	4.6	......
Thos. Nationwide	3.6	......
Tooth	6.1	......
Vamgas	2.25	......
Western Mining	3.20	......
Westpac Bank	5	—0.2
Woodside Petrol	0.94	—0.01
Woolworths	3.15	+0.05
Wormald Intl	4.12	—0.05

HONG KONG

June 9	Price H.K.$	+ or —
Bank East Asia	18.5	—0.2
Cathay Pacific	5.45	—0.05
Cheung Kong	20.0	......
China Light	15.8	......
Evergo	0.61	—0.01
Hang Seng Bank	35	......
Henderson Land	2.1	......
HK China Gas	15	......
HK Electric	6.9	+0.05
HK Kowloon Wh.	6.85	+0.05
HK Land	5.9	......
HK Shanghai Bk.	0.75	......
HK Telephone	12	+0.1
Hutchison Wpa.	28.6	+0.1
Jardine Math	12.3	......
New World Dev.	5.9	+0.05
SHK Props	12.1	......
[illegible]	[illegible]	[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm June 9

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

	June 9	June 6	June 5	June 4	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	(c)	1250.2	1228.1	1225.5	1247.8 (7/6)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	(c)	530.5	524.2	518.6	602.0 (24/5)	481.1 (20/5)
AUSTRIA						
Credit Bk Aktien(2/1/62)	119.57	118.89	117.96	118.40	158.89 (25/4)	116.11 (5/5)
BELGIAN						
Brussels SE (1/1/80)	3569.16	3580.61	3593.25	3808.81	3780.18 (14/4)	1769.81 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	227.80	(c)	228.81	260.70 (18/4)	214.27 (21/1)
FRANCE						
CAC General (31/12/82)	343.0	337.20	338.5	351.1	411.5 (15/5)	267.8 (2/1)
Ind Tendance (31/12/85)	130.4	127.16	127.5	131.8	154.5 (11/5)	101.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	652.17	641.16	633.51	627.72	753.88 (17/4)	618.54 (27/2)
Commerzbank (1/12/53)	1971.4	1937.5	1917.3	1894.9	2278.8 (17/4)	1865.6 (27/2)
HONG KONG						
Hang Seng Bank(31/7/64)	1748.24	1747.89	1748.58	1758.67	1865.65 (7/5)	1560.94 (19/5)
ITALY						
Banca Comm Ital. (1972)	674.80	741.30	766.40	760.10	908.20 (20/5)	454.87 (24/1)
JAPAN**						
Nikkei (16/5/49)		17008.5	16817.91	16811.0	16802.7	17008.5 (9/6)	12881.5 (21/1)
Tokyo SE New (4/1/68)		1516.29	1307.47	1306.43	1304.58	1516.29 (9/6)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	288.2	287.0	288.1	289.6	292.5 (2/6)	240.4 (3/5)
ANP.CBS Indust (1970)	288.6	278.9	279.5	281.7	284.8 (2/6)	254.0 (5/5)
NORWAY						
Oslo SE (4/1/83)	348.25	348.2	350.59	353.38	402.31 (16/1)	332.25 (20/5)
SINGAPORE						
Straits Times (30/12/66)	(c)	681.86	685.48	693.25	685.51 (3/6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1247.7	1251.5	1258.2	1507.8 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1167.4	1165.5	1183.6	1203.1 (20/3)	1069.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	176.20	176.78	178.71	161.56	184.77 (12/5)	100.83 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2461.79	2415.47	2409.75	2426.75	2461.79 (9/6)	1729.67 (29/1)
SWITZERLAND						
Swiss BankCpn(31/12/58)	569.7	568.8	558.8	564.2	625.5 (8/1)	554.7 (28/2)
WORLD						
M.S. Capital In'l. (1/1/70)	—	318.4	317.18	318.6	322.1 (11/4)	249.0 (25/1)

** Saturday June 7: Japan Nikkei 16,889.91. TSE 1,311.78.

TORONTO	June 9	June 7	June 5	June 6	1986 High	1986 Low
Metals & Minls	2,287.1*	2,218.94	2,198.5	2,198.5	2,442.86 (21/3/86)	2,025.3 (21/5/86)
Composite	3,066.1*	3,080.7	3,084.3	3,086.4	3,129.11 (18/4/86)	2,754.9 (17/2)
MONTREAL Portfolio	1,565.13*	1,575.28	1,570.81	1,584.35	1,623.33 (18/4/86)	1,388.3 (22/1)

* Indicates pre-close figure.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Montreal Portfolio 4/1/83. Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 43

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LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Ex 12pc '13/17	£130¾	+ ⅝
Benford Conc	88	+ 8
Caffyns	255	+23
Chamb & Far	44	+11
Clarke (Clement)	250	+10
Ferry Pick	210	+26
First Oil & Gas	55	+19
Ford (Mart)	80	+ 3
Lee Intl.	150	+10
Matthews (B.)	240	+15
Metal Box	754	+34
Pearson	495	+17
Prop. & Revers	206	+ 8
Runciman (W.)	105	+ 9
Sharna Ware	62	+ 9
Stoddard A	26	+ 4
Tozer Kemsley	175	+ 9

FALLS

Beecham	401	—12
Brit. Benzol	89	— 8
Dowty	218	—10
Marks & Spencer	197	— 4
Natwest Bank	452xr	—20½

Prices at 3pm, June 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
25¼	12	AAR s	.44	1.8	22	61	25¼	24	24	−⅞
30	21¾	ADT	.92	3.4		105	27⅝	27	27	−½
28⅝	11½	AFG e			18	692	28	27⅞	27⅞	−⅜
25⅜	13⅛	AGS			16	130	21¼	21¼	21¼	−⅜
15	9⅝	AMCA				62	11⅝	11⅝	11¾	−⅜
60⅜	37½	AMR			11	4941	54¾	53¼	53⅝	−1⅛
25¾	18⅝	AMR pf2.18		8.8		14	24¾	24¾	24¾	
23½	19	ANR pf2.12		9.6		1	22	22	22	
12½	7⅝	APL			5	47	10⅝	10⅝	10⅝	−¼
16¾	11⅛	ARX	.71	5.4	12	104	14	13¼	13¼	−⅜
51⅜	32¾	ASA	2a	5.6		506	35⅞	34⅞	35⅜	+⅛
18⅜	10½	AVX			23	190	14⅛	13¾	13¾	−⅛
32	22⅝	AZP	2.72	9.8	7	1403	27⅝	27⅛	27⅜	−¼
47½	26⅝	AbtLb s			22	1955	47	45½	45⅞	−1
32	19⅝	AccoWd .50		1.7	20	342	30	29⅞	30	
24¾	10	AcmeC .40		3.2		151	12⅝	12⅜	12⅜	−¼
9¼	7	AcmeE .32b		4.1	19	4	7⅞	7⅞	7⅞	+⅛
20¾	16⅞	AdaEx 1.90e		9.7		116	20⅛	19⅝	19⅝	−⅜
31¾	19⅛	AdmMl .40		1.3	14	64	31	30¾	30¾	−¼
20⅝	10¼	AdvSys .83t		4.7	16	78	18	17⅝	17⅝	
32⅞	22⅛	AMD				1721	24⅛	23¾	23¾	−¼
18⅝	14⅝	Adob pf1.84		11.		1	16⅜	16⅜	16⅜	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

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Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 9

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

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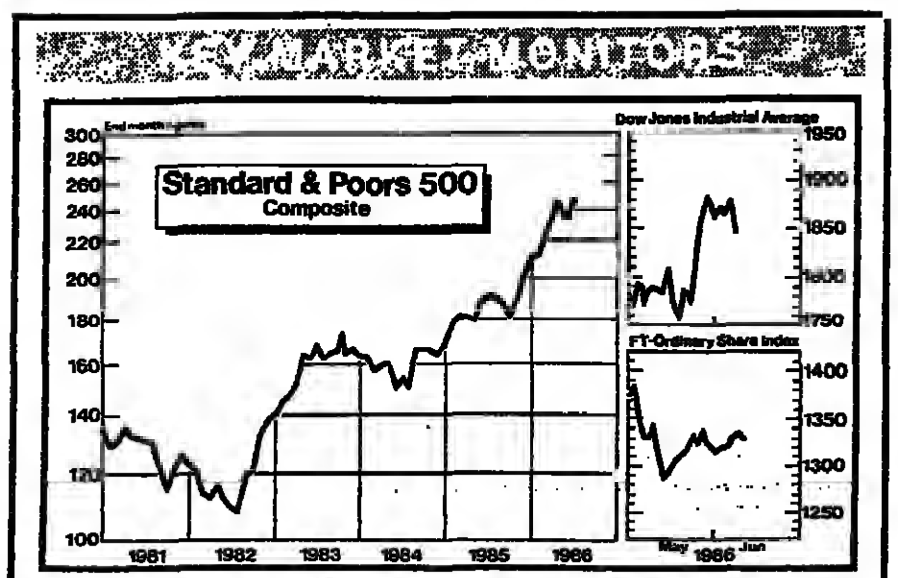
Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,843.11*	1,885.8	1,316.42
DJ Transport	778.00*	795.38	653.45
DJ Utilities	183.84*	167.76	163.88
S&P Composite	240.70*	245.67	189.68
LONDON			
FT Ord	1,329.5	1,336.8	991.3
FT-SE 100	1,604.6	1,611.9	1,310.8
FT-A All-share	792.95	794.3	616.44
FT-A 500	876.80	878.18	673.46
FT Gold mines	208.7	213.3	421.9
FT-A Long gilt	9.14	9.17	10.63
TOKYO			
Nikkei	17,008.34	16,817.91	12,716.50
Tokyo SE	674.80	1,307.47	1,005.70
AUSTRALIA			
All Ord.	closed	1,230.2	858.3
Metals & Mins.	closed	530.5	516.0
AUSTRIA			
Credit Aktien	118.37	118.39	100.24
BELGIUM			
Belgian SE	3,559.16	3,580.60	2,383.54
CANADA			
Toronto			
Metals & Minls	2,207.10*	2,218.94	1,951.00
Composite	3,066.1*	3,090.7	2,738.1
Montreal			
Portfolio	1,555.13*	1,575.28	134.14
DENMARK			
6E	n/a	227.8	191.85
FRANCE			
CAC Gen	343.0	337.2	231.3
Ind. Tendance	130.4	127.1	84.3
WEST GERMANY			
FAZ-Aktien	652.17	641.10	462.56
Commerzbank	1,971.4	1,937.5	1,363.4
HONG KONG			
Hang Seng	1,748.24	1,747.09	1,642.55
ITALY			
Banca Comm.	674.80	741.30	311.67
NETHERLANDS			
ANP-CBS Gen	288.2	287.0	214.5
ANP-CBS Ind	280.8	278.9	178.1
NORWAY			
Oslo SE	348.25	348.20	342.52
SINGAPORE			
Straits Times	closed	691.86	800.32
SOUTH AFRICA			
JSE Golds	–	1,261.6	1,007.6
JSE Industrials	–	1,165.5	966.9
SPAIN			
Madrid SE	176.20	178.78	81.53
SWEDEN			
J & P	2,431.79	2,415.47	1,357.69
SWITZERLAND			
Swiss Bank Ind	560.7	560.6	438.4
WORLD	June 6	Prev	Year ago
MS Capital Int'l	319.4	317.1	214.3

GOLD (per ounce)

	June 9	Prev
London	$342.00	$341.75
Zürich	$342.00	$341.70
Paris (fixing)	$342.68	$342.31
Luxembourg	$342.00	$341.75
New York (Aug)	$354.20*	$344.80

CURRENCIES

	US DOLLAR		STERLING	
(London)	June 9	Previous	June 9	Previous
$	–	–	1.498	1.505
DM	2.2355	2.2285	3.35	3.355
Yen	167.85	167.65	251.5	252.25
FFr	7.12	7.095	10.665	10.6775
SFr	1.844	1.839	2.7625	2.7675
Guilder	2.516	2.505	3.77	3.725
Lira	1,533.0	1,527.0	2,298.5	2,298.0
BFr	45.65	45.5	68.4	68.5
C$	1.393	1.3965	2.089	2.1001

INTEREST RATES

Euro-currencies (3-month offered rate)	June 8	Prev
£	9 11/16	8 11/16
SFr	4 13/16	4⅞
DM	4⅝	4⅝
FFr	7 7/16	7½
FT London Interbank fixing (offered rate)		
3-month US$	7 7/16	7 5/16
6-month US$	7 7/16	7¼
US Fed Funds	7*	6 13/16
US 3-month CDs	6.65*	6.85
US 3-month T-bills	6.305*	6.55

COMMODITIES

(London)	June 9	Prev
Silver (spot fixing)	343.85p	341.75p
Copper (cash)	£961.50	£955.00
Coffee (July)	£1,850.00	£1,895.00
Oil (Brent blend)	$11.55	$12.05

US BONDS

Treasury

		June 9* Price	Yield	Prev Price	Yield
7¼	1988	99 11/32	7.40	99 9/32	7.52
7⅜	1993	96 21/32	8.01	95 29/32	8.215
7⅝	1996	94 29/32	8.13	93 21/32	8.325
7¼	2018	93 24/32	7.79	92 19/32	7.907

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	June 9* Day's change	Yield	Day's change
1–30	148.09	–0.18	7.98	+0.05
1–10	141.86	–0.22	7.82	+0.05
1–3	134.72	–0.01	7.46	+0.03
3–5	143.47	–0.29	8.07	+0.09
15–30	170.58	–0.08	8.53	+0.01

Source: Merrill Lynch

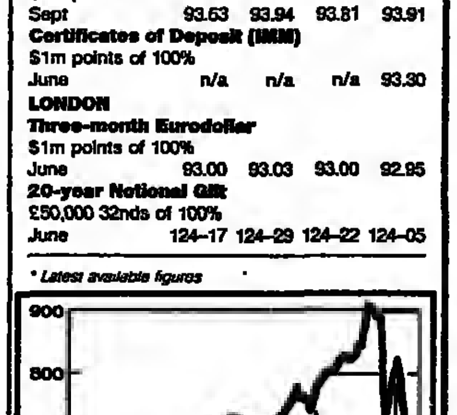
Corporate	June 9* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	90¼	6.61	89.65	8.9
SCBT South Central				
10⅞ Jan 1993	105.12	8.35	105.586	8.25
Phibro-Sal				
8 April 1996	94.79	8.8	93.54	9.0
TRW				
8¾ March 1996	99.33	8.85	99	8.9
Arco				
9⅞ March 2016	101½	9.72	101	9.76
General Motors				
8⅝ April 2016	89¼	9.18	88½	9.26
Citicorp				
9⅜ March 2016	96⅞	9.7	95	8.89

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	93-04	95-02	92-30	94-27
US Treasury Bills (IMM) $1m points of 100%				
Sept	93.63	93.94	93.81	93.91
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.30
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.00	93.03	93.00	92.95
20-year Notional Gilt £50,000 32nds of 100%				
June	124-17	124-29	124-22	124-05

** Latest available figures*



WALL STREET

Accentuated retreat from peak

THE BALANCE of Wall Street opinion tilted towards bearishness on the US economy yesterday, *writes Terry Byland in New York.*

The stock market fell heavily as discounts on stock index futures sparked selling of the underlying blue-chip stocks. Bonds were helped initially by the bearish mood but fell later when bond futures tumbled heavily.

The latest peak in the Dow vanished from sight within minutes of the market opening as programmed selling, triggered in the stock index futures market, brought a 17-point fall in the industrial average.

By 3pm the Dow Jones industrial average was 42.79 down at 1,843.11.

Weakness in the Dow transportation average, regarded as significant for industrials, was intensified with a fall of 10 points by noon. The Standard & Poor's 500 index suffered from futures-oriented selling pressures, and the other broadly based market indices also fell sharply.

Stock index futures remained at a discount to stock prices throughout the morning, bringing repeated waves of programmed selling. The major institutions kept out of the market, leaving the professional traders to respond to the pressures from the index futures pits.

Selling increased after Morgan Stanley cut its GNP estimates for the third and fourth quarter from 3⅞ per cent to 2¾ per cent. Treasury bond futures lost 1¾ points, putting the June contract at 9302.

The cloud over the economic outlook for the second half-year has implications for corporate profits. "Economic data for the past 18 months have been pointing to a moderate growth economy," commented Mr Ed Nicoski of Piper Jaffray & Hopwood, of Minneapolis. A further advance in the stock market hinges upon good earnings figures at the end of the year.

But Friday's poor unemployment data revived bond market hopes that the Federal Reserve will be pressured to ease credit policy, despite surging money supply, in order to kick-start the economy. Programmed selling hit such blue-chip issues as IBM, down $2 at $147⅞, Merck, down $1⅞ at $96⅞, NCR, down $1⅛ at $53⅞, Ford, $1⅞ off at $52, and Pfizer, $1⅛ lower at $62⅞.

At the same time, the renewed slide in crude oil futures on the New York mercantile exchange sent oils downwards, led by Exxon which fell $1⅛ at $59. The same factor was no help to airlines, which are again unsettled by indications of a new fare-cutting war. United lost $1 to $55⅛ and American $1 to $53⅞.

Losses ranged to $1⅛ in Minnesota Mining, at $107⅞, to $1⅞ in General Electric at $80⅞ and to $⅞ in McDonnell Douglas at $80⅞.

In defence stocks the brunt was taken by General Dynamics, down $3⅞ at $84⅞. United Technologies, $1⅛ off at $48⅞, and in Boeing $1⅞ off at $58⅞.

A new Florida law which temporarily rolls back premiums by 40 per cent sparked a renewed plunge in stocks of the major insurance groups. Aetna at $57⅞ extended last week's fall by $2⅛ in hefty selling. Chubb tumbled by $1⅞ to $59 and American International group by $2⅛ to $121⅛.

The combination of interest rate uncertainty and worries over the domestic economy upset bank stocks. Chase Manhattan, down $1⅛ at $41⅜, Bankers Trust, $1⅛ off at $46⅞, and American Express, $1⅜ off at $60¼, all saw selling pressure.

Retail stocks gave back part of recent gains, K mart losing $1 to $52⅞ and Federated Department Stores $2⅝ to $81⅝. At $46⅝ Sears Roebuck fell $1⅛, with market doubts over the financial services divisions helping the downward trend in the stock.

Bid fever in the food and service groups was renewed. Saga, the restaurant and food group, jumped $2 to $39⅝ after the board agreed to an improved $39½ offer from Marriott, which gave up $1⅛ to $176½.

Safeway Stores, believed to be a takeover target, improved by $¾ to $45¼. Olin, which is to buy in stock, gained $3¾ to $47⅛.

In the bond market, early firmness soon turned to losses ranging to ¾ points, as investors backed cautiously away ahead of further federal data an retail sales and industrial production, due later this week. Rates edged higher at the short end despite another $1.5bn in customer repurbase arrangements by the Federal reserve.

EUROPE

Milan and Stockholm in limelight

THE LIMELIGHT in Europe was shared yesterday by the Italian and Swedish markets.

Milan suffered another bruising day with a near record 9.2 per cent fall in the Banca Commerciale index to 674.80. The fall was triggered by further profit-taking by small local investors unnerved at persistent reports of a new capital gains tax although government officials are adamant that no plans for such a tax exist. Foreign investors did not play a part in the retreat yesterday.

Insurers were hit hard, with Generali down L1,400 to L136,600, while Toro sustained a sharper L4,510 drop to L30,900. Banca Commerciale fell L1,400 to L25,800.

Elsewhere, the Agnelli family holding company IFI fell L4,810 to L22,900 while in foods the Ferruzzi group sugar company Eridania retreated L440 to L5,200.

Stockholm continued on its record-breaking run, and the Affarsvarlden General index rose 8.3 to 872.7. Base metal issues were sharply higher as Boliden jumped SKr 8 to Skr 186 on good press comment.

Volvo moved against the trend with a SKr 2 decline to SKr 424 while Ericsson, the most active, traded SKr 3 higher to SKr 265 amid news that it had secured a significant US digital exchange order.

Engineers were mixed as Asea rose SKr 8 to SKr 360 and Atlas Copco retreated SKr 4 to SKr 219.

Frankfurt also made good progress but finished off its high for the day. The Commerzbank index added 33.9 to 1,971.4.

Hopes that interest rates would fall, initially in the US and later in West Germany, fuelled the rally, but the lower dollar and the forthcoming elections in Lower Saxony forced a more cautious approach among foreign investors.

Deutsche Bank sparkled with a DM 15 gain to DM 807.50 while insurer Allianz jumped DM 60 to DM 2,438 after an early DM 2,450.

Bonds surged. A shortage of paper produced gains of up to 1¾ points as both domestic and foreign investors opened fresh positions. The 6 per cent 30-year tranche of the new federal loan stock jumped 130 basis points to 98.95 while the 5¾ per cent 1996 tranche rose 105 basis points to 99.65. The Bundesbank sold DM 68.4m worth of paper compared with Friday's DM 114.8m sales.

Paris enjoyed the return of foreign buyers who concentrated on food issues. BSN jumped FFr 155 to FFr 3,480 and Béghin-Say added FFr 30.90 to FFr 479.90.

Builders were bolstered by interest-rate optimism again as Bouygues firmed FFr 30 to FFr 1,070. Thomson CSF among electronic stocks firmed FFr 70 to FFr 1,240.

Brussels fell again on concern about the Government's ability to carry out its austerity plan.

Prices were depressed by capital increases in some stocks. A new stock launched on the spot market by computer leasing company Econocom was heavily oversubscribed and began trading at BFr 1,250.

In Oslo dull trading effectively ended a rally which dealers had hoped would push the all-share index past the 280 barrier. The all-share index ended up 0.28 at 275.32 in thin trading that failed to respond to a drop in interest rates on seven-day deposits to 14-14.10 per cent.

Amsterdam finished mixed in quiet trading as internationals lost momentum.

Zurich was steady, and Madrid was led lower by communications.

LONDON

Gilts hold centre of attention

INTEREST-RATE hopes stimulated fresh widespread demand for government bonds in London yesterday. Domestic and foreign investors once again focused their attentions on longer maturities, and the combined buying brought further good gains after Friday's spirited recovery. A few ultra-long gilts rose a point more before profit-taking turned prices away from the highest and pared rises to a maximum of ⅜.

Friday's continuation of a more stable trend in the US bond market, which responded to late speculation of another Japanese-led round of discount-rate cuts, set the early scene. The Bank of England's actions in UK money markets hinted subsequently that the authorities could be ready to endorse further small reductions in bank base rates, perhaps later this week.

The strong tone showed little sign of faltering until sterling eased back from its recent high level against the dollar. Some investors then decided it prudent to realise profits ahead of the May banking statistics, due to be announced at 2.30pm today.

Among equities the leaders started the final leg of the trading Account in confident mood. Many seemed poised to extend last week's gains, but business was slow to develop, and most blue chips drifted from their enhanced opening levels.

The FT Ordinary index ended down 7.4 at 1,329.5 while the more broadly based FT-SE share index closed down 7.3 at 1,604.6.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38, 39

CANADA

THE RETREAT in Toronto continued as prices fell sharply in active trading that saw most major share groups joining the decline. Bank of Nova Scotia, the most active, lost C$⅛ to C$15⅛.

Cableshare fell C$5⅛ to C$52¼ as the stock exchange ordered all new transactions to be on a margin basis of at least 75 per cent because of trading actions and price fluctuations in the stock.

In industrials Bell Canada lost C$¾ to C$37⅞; Seagram slipped C$1⅞ to C$83¾, Canadian Pacific fell C$⅛ to C$17⅛ and Massey-Ferguson slipped 10 cents to C$4.25.

Oils and mines and metals also joined the retreat. Dome Petroleum fell 7 cents to C$1.35, Texaco Canada C$⅛ to C$27⅛ and Gulf Canada C$½ to C$15.

Montreal also moved lower in sympathy.

HONG KONG

PROFIT-TAKING by small investors led prices to close little changed in Hong Kong after a firm opening. The Hang Seng index ended up 1.15 at 1,748.24 after gaining nearly 12 points in the morning session, and the Hong Kong index rose 1.34 to 1,089.35.

Utilities attracted buying interest – HK Electric rose 5 cents to HK$8.90, while HK Telephone gained 10 cents to HK$12. China Light at HK$15.80, HK China Gas at HK$15, and TV-B at HK$6.80 were all unchanged.

A lack of fresh incentives prompted many investors to unload their holdings in the property and finance sectors. Hutchison Whampoa was up 10 cents to HK$28.20 and Swire Pacific A lost 10 cents to HK$11.80.

SOUTH AFRICA

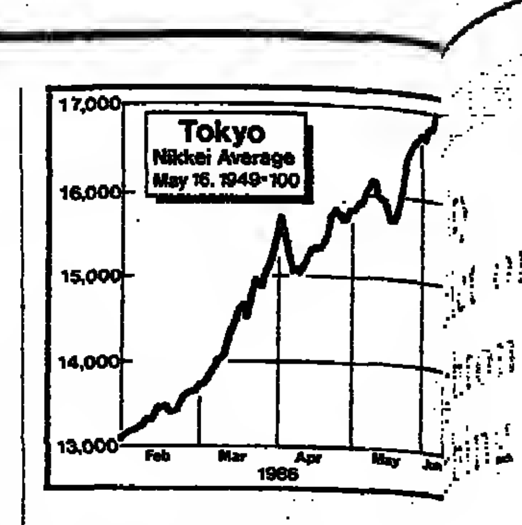
ECONOMIC and political uncertainties continued to dominate South African markets, and Johannesburg gold shares closed mostly easier despite a sharply weaker rand which boosted the bullion price in local currency terms.

Dreifontein and Vaal Reefs both lost R1, closing at R58.5 and R229 respectively, while Ofsil fell R2 to R78.

Mining financials and platinums also fell from their earlier highs, but in diamonds De Beers was firm at R27.20, up 50 cents from its previous close.

Impala rose 25 cents to R33.25.

Other minings were quietly steady and industrials mixed.



TOKYO

Quick dash across 17,000

SHARE PRICES advanced to yet another peak in Tokyo yesterday, with buying interest evident in low-priced large-capital issues and biotechnology and consumer stocks, *writes Shigeo Nishiwaki of Jiji Press.*

Turnover grew as concern mounted that the Tokyo Stock Exchange would tighten restrictions on margin trading. But many investors remained bullish about the market outlook.

The Nikkei stock average gained 109.33 to 17,008.34, breaking the 17,000 barrier for the first time. Volume continued high at 889m shares, compared with the previous session's 792m, but down from the range of 800m to 1.1bn shares last week. Gainers outnumbered losers by 487 to 357, with 131 issues unchanged.

In the absence of fresh incentives, investors selectively bought shares with the potential to bring in short-term profits.

Electric power and gas stocks which would benefit from a firmer yen and cheaper oil attracted buyers. Topping the active list with 29.97m shares, Tokyo Gas gained Y11 to Y435. Tokyo Electric Power also climbed Y70 to Y4,020.

In the chemical sector Sumitomo Chemical added Y10 to Y389. Unitika also climbed Y23 to Y323 on volume of 26.62m shares, the second largest on the list.

Among the steel shares favoured Nippon Kokan rose Y1 to Y157 on volume of 26.47m shares, the third largest on the most active list. Kawasaki Steel firmed Y3 to Y182 on volume of 21.21m shares the fourth largest.

Laggards were also favoured. Nippon Beet Sugar rose Y35 to Y530 on rumours of cornering, and Showa Aluminium jumped Y63 to Y567.

Among the biotechnology-related issues that had been favoured since last week, Kuraray rose only Y10 to Y2,100, and Kyowa Hakko fell back Y20 to Y1,950. But Toyama Chemical gained Y80 to Y1,110.

Matsushita Electric Industrial lost Y10 to Y1,500 as the yen strengthened against the dollar, but relatively low-priced Matsushita Refrigeration and Matsushita Seiko attracted buyers, rising Y40 and Y50, respectively, to Y1,310 an Y953.

Of the domestic blue chips, some department stores and supermarket chain stores were bought on expectations of increased consumption. Mitsukoshi gained Y20 to Y1,140 and Seiyu Y110 to Y1,490.

Securities houses also drew strength from prospects of higher earnings from bull market conditions. Nomura Securities firmed Y10 to Y2,210 and Nikko Securities Y60 to Y1,160.

Bond prices moved in a narrow range as dealers were bearish about the market outlook although expectations are growing of a fourth cut in the central bank's discount rate.

The yield on the bellwether 6.2 per cent government bond due in July 1995 fell to 4.705 per cent at one point on dealers' active buying from last Saturday's 4.760 per cent but closed at 4.725 per cent after late selling.

The yield on the 5.1 per cent bond due in March 1996 fell to 4.895 per cent from last Saturday's 4.970 per cent but rebounded to close at 4.920 per cent.

Many institutional investors stayed on the sidelines, but bank and securities house dealers were busy taking profits from dealing in the benchmark bond.